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Handbook on

# MAJOR REGIONAL COOPERATIVES HANDLING SUPPLIES

1962 & 1963

FARMER COOPERATIVE SERVICE • U.S. DEPARTMENT OF AGRICULTURE





FARMER COOPERATIVE SERVICE  
U.S. DEPARTMENT OF AGRICULTURE  
WASHINGTON, D.C. 20250

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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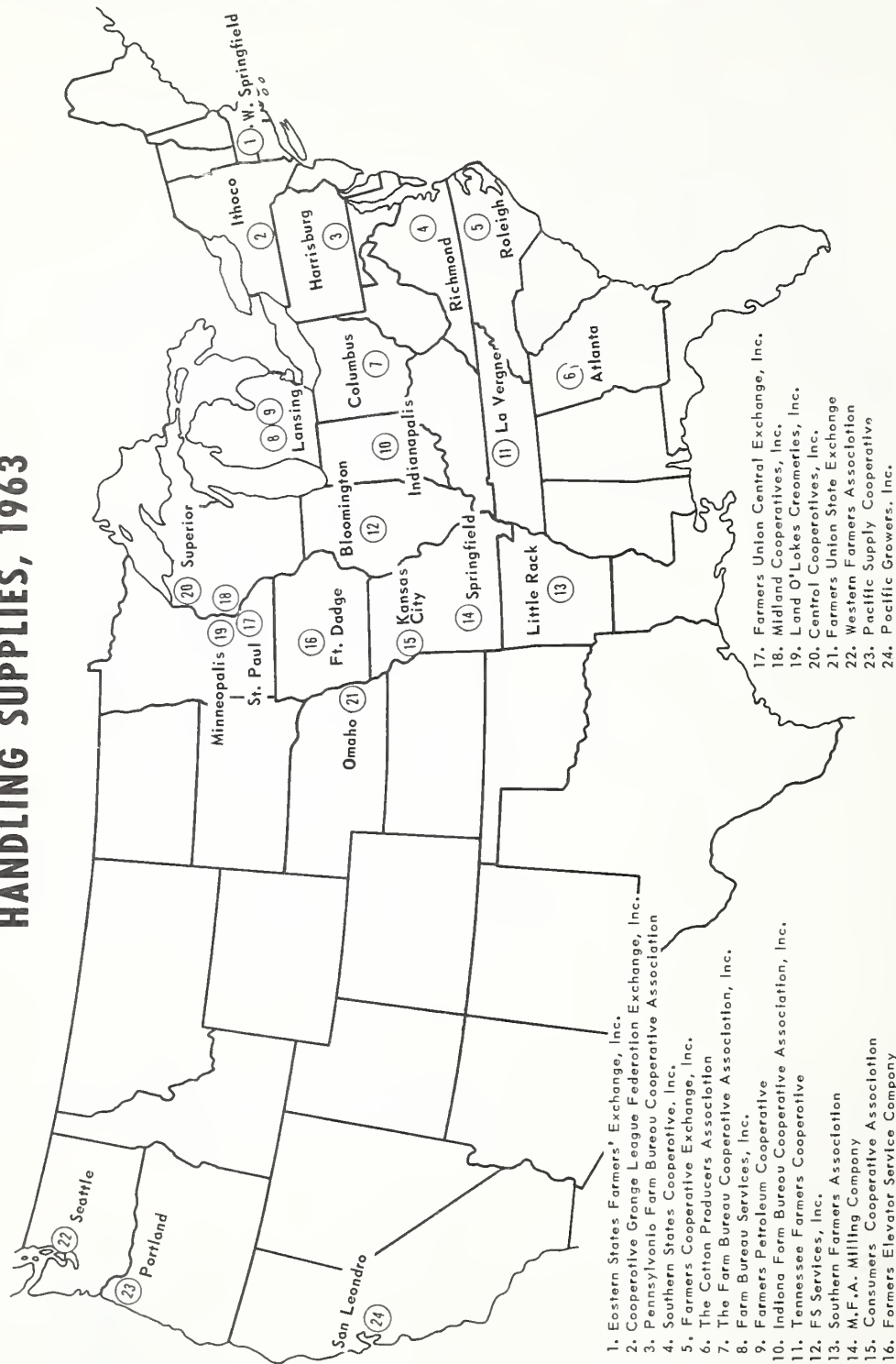
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**FIG. 1**  
**LOCATION OF 24 MAJOR REGIONAL COOPERATIVES**  
**HANDLING SUPPLIES, 1963**





# Handbook on Major Regional Cooperatives Handling Supplies, 1962 and 1963

**By J. Warren Mather**  
**Farm Supplies Branch**  
**Purchasing Division**

At the outset of World War II, officials of several regional cooperatives indicated the need for a publication that would point out to Federal and State agencies the importance of agricultural cooperatives in providing farmers with essential production supplies and equipment. As a result, publication of this Handbook was begun with information voluntarily supplied by 17 of the major regional farm supply associations in the United States.

Handbooks were published annually through 1957. Since then a Handbook has been issued every other year. It presents highlights of each association's organizational structure, membership, services, volume, facilities, financial condition, and net savings.

Farm leaders, educational institutions, government agencies, and others use these Handbooks to better understand the operations, trends, and progress of cooperatives handling farm production supplies, and the benefits farmers derive from these associations.

The individual cooperatives provided the information presented in this Handbook and authorized its publication.

A "regional association" in this report refers to one that wholesales supplies to local retail cooperatives, or one that directly retails supplies to farmers over an area comprising a part of a State, an entire State, or several States. In either case, the regional may manufacture some of the supplies it distributes.

A "major" regional association in this report in all but two instances refers to one handling more than \$10 million worth of supplies annually.

In addition, there are approximately 11 other major regional cooperatives and 11 federations of regionals (national or area cooperatives) that are not included in this Handbook. Their names and addresses are listed in the Appendix.

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Note: The author expresses appreciation to Ella S. Wells and others in the Statistical Unit, Administrative Management Division, for tabulating and analyzing data contained in this report.

"Farm production supplies" include feed, seed, fertilizer, petroleum, and all other types of supplies and equipment used in farm production.

Part I of this Handbook gives detailed information on each of 22 major regional cooperatives handling supplies in the United States for their fiscal years ended in 1962 and 1963. Their location is shown in figure 1, page iv.

The associations appear in this report in the order of their total wholesale supply business, or retail business where all sales were at that level, for fiscal 1963. There was wide variation among them in forms of organization, methods of operation, and accounting and reporting practices. However, information presented on sales, net margins, facilities, and financial condition is quite comparable.

Nineteen of the 22 cooperatives mainly performed wholesale services for retail cooperatives and other outlets of various types. These were federated regional cooperatives. The other three associations distributed all supplies direct to individual patrons. These were centralized regional associations. Six of the former group, however, did both wholesale and retail business.

Thirteen of the 22 associations also marketed farm products. In two of them, marketing dollar volume equaled or exceeded their supply volumes.

Part II shows the value of supply business, net margins on supplies, and supply facilities used by two predominantly regional marketing cooperatives. Their location is shown in figure 1. A few other major regional marketing cooperatives also perform extensive farm production supply services as a sideline.

Part III consolidates the detailed information on the group of 22 associations for 1962 and 1963.

# **PART I**

## **Association Reports for 22 Major Regional Cooperatives**

Highlights on the organizational features of each association at the close of its 1963 fiscal year include date organized, area of service, type and number of retail outlets, number of patrons served, membership financial requirements, voting provisions, number and term of directors, and number of employees.

Highlights of their operating and financial position for fiscal years ending in 1962 and 1963 include sales of farm supplies and farm products by type; amount and distribution of net margins; revolving of equity capital; cash payments of current dividends, refunds, and revolving capital; condensed balance sheets; itemized member equities; and type and value of fixed assets.

### **Consumers Cooperative Association**

Consumers Cooperative Association, known as CCA, Kansas City, Mo., was organized in 1929. As of August 31, 1963, CCA was serving 1,751 local and regional member associations. The locals are located throughout Colorado, Iowa, Kansas, Missouri, Nebraska, Oklahoma, South Dakota, and Wyoming and in parts of Arkansas, North Dakota, and Texas. CCA has management or supervision agreements with 56 local member cooperatives. Retail outlets formerly operated by CCA through a subsidiary have now been sold to member associations.

Membership in CCA is limited to cooperatives and is obtained by acquiring one \$25 share of common stock and agreeing to the provisions of the bylaws. Each member association has only one vote. CCA has 22 directors elected for staggered terms of 3 years. Twenty-one of the directors are elected by districts, and one is a director-at-large.

CCA's operations have consisted of purchasing, processing, and manufacturing products for distribution to retail farmer cooperatives. Approximately 73 percent of the products supplied patrons in 1963 were produced by cooperative plants, with about 60 percent from plants owned by CCA and its subsidiaries. CCA engages directly in mixing fertilizer; manufacturing feed, grease, and paint; and fabricating steel products. Supply subsidiaries produce refined fuels, lube oils, fertilizer, and soybean meal. Operations of these subsidiaries have been consolidated with CCA.

As a service for its local cooperative member associations, CCA operates two wholly-owned subsidiaries: A finance association to supplement the available sources of credit of CCA's members, and an insurance agency to provide insurance services for member locals.

CCA provides a swine marketing service for farmers through a minority-owned but controlled subsidiary, Farmbest, Inc., which operates two hog slaughtering plants in Iowa. The second hog slaughtering plant began operations after the close of the 1963 fiscal year.

The value of pork products marketed by Farmbest from its first plant was \$20,935,000 and \$22,649,000 for the 1963 and 1962 years, respectively. (These three service subsidiaries have not been included in the consolidated financial statements.)

In September 1963, CCA entered directly into marketing with the acquisition of an egg-cartoning plant in South Dakota. In addition, construction of an egg products plant in Iowa was under consideration.

A summary of supply sales for CCA and its consolidated subsidiaries for the fiscal years ended August 31, 1962, and 1963, follows:

Commodities	1962	1963
Petroleum products and byproducts	\$100,982,735	\$106,799,980
Fertilizer	48,747,290	58,286,450
Feed	28,617,083	38,244,297
Tires, tubes, and auto accessories	12,184,120	12,220,457
Agricultural chemicals	3,865,841	4,768,196
Lumber, paint, and building supplies	8,802,631	9,997,156
Farm equipment (other than farm machinery)	3,922,594	4,578,589
Plant equipment--petroleum, fertilizer, and other	3,501,806	2,604,922
Appliances and housewares	880,224	919,970
Miscellaneous supplies	3,985,470	3,647,010
Total	215,489,794	242,067,027

Total net margins of CCA and consolidated subsidiaries for fiscal years ended in August 31, 1962, and 1963, were:

Distribution of net margins	1962	1963
Federal income taxes	\$1,498,693	\$1,729,906
Cash dividends on stock	1,569,075	1,597,461
Patronage refunds paid in:		
Cash	2,093,475	7,679,404
Common stock and nonmember capital	8,042,502	7,558,404
Additions made to surplus	288,793	144,233
Total	13,492,538	18,709,408

In fiscal 1962, an additional cash payment of \$3,126,875 was made to patrons for redemption of preferred stock originally issued in payment of prior years' refunds. This payment retired all of 1956 outstanding 2 percent third preferred stock and 44 percent of the 1957 preferred stock of this type. No retirement of such stock was made in fiscal 1963.

Total cash distributed to patrons, exclusive of interest on certificates of indebtedness, amounted to \$6,789,425 in the 1961-1962 fiscal year and to \$9,276,865 in the 1962-1963 fiscal year.

Net margins of CCA and its consolidated subsidiaries from organization in 1929 through August 31, 1963, have totaled \$121,991,000. These margins have been distributed as follows: \$12,153,000 for income taxes; \$48,385,000 for cash payment of patronage refunds and dividends on capital stock; \$45,675,000 for patrons' investment in capital stock and allocated reserves; and \$15,778,000 for general reserves.

Consolidated balance sheets for the fiscal years ended August 31, 1962, and 1963, were:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$49,329,954	\$51,485,919
Fixed assets (net)	80,416,717	92,637,720
Other assets	<u>19,684,115</u>	<u>23,798,693</u>
Total	149,430,786	167,922,332
<b>Liabilities and net worth:</b>		
Current liabilities	33,220,416	38,607,701
Other liabilities	35,745,879	38,986,138
Minority interests	5,957,445	6,474,680
Net worth	<u>74,507,046</u>	<u>83,853,813</u>
Total	149,430,786	167,922,332

The combined net worth, or members' and patrons' equities in CCA and the consolidated subsidiaries on August 31, 1963, consisted of the following items:

Item	Amount
Preferred stock	\$43,155,700
Common stock	14,453,725
Stock--partly paid	27,623
Nonmember capital	205,612
Patrons' equity reserves	3,467,182
Patronage refunds for reinvestment (1963)	7,558,404
Surplus	<u>14,985,567</u>
Total	83,853,813

Principal facilities (land, buildings, and equipment, by plants) owned and operated by CCA and its consolidated subsidiaries on August 31, 1963, appears at the top of the next page.



Facilities	Number of plants or units	Cost value	Depreciated value
Refining and oil production:			
Refineries <sup>1</sup>	4	\$27,958,821	\$12,991,677
Crude oil facilities	--	14,393,390	6,770,730
Crude oil reserves (leaseholds)	--	21,053,266	7,335,707
Pipe lines (miles)	919	5,389,579	2,788,074
Total		68,795,056	29,886,188
Fertilizer production:			
Nitrogen fertilizer plants	2	53,500,330	40,909,026
Ammonium phosphate plant	1	7,210,673	5,441,599
Mixing plants and dry fertilizer blending plants	4 & 22	3,395,984	2,033,567
Total		64,106,987	48,384,192
Feed mills	8	5,993,865	4,941,020
Other manufacturing facilities	5	1,193,324	792,435
Distribution and transportation:			
Warehouses and terminals	10 & 10	2,348,102	1,821,684
Highway transports	129	3,323,680	2,277,427
Retail facilities <sup>2</sup>	22	1,822,553	1,546,816
Total		7,494,335	5,645,927
Educational	1	1,036,946	970,461
Research	5	733,887	590,099
Headquarters and other	--	2,111,019	1,427,398
Total fixed assets		151,465,419	92,637,720

<sup>1</sup> Includes 3 crude oil refineries and 1 natural gasoline plant.

<sup>2</sup> Leased to local cooperatives.

CCA and the consolidated subsidiaries also had investments of \$12,229,529 in other federations of regional cooperatives that owned various manufacturing and wholesale facilities. These investments are included in "other assets" on the consolidated balance sheet.

CCA and its consolidated subsidiaries had 2,694 employees on August 31, 1963. Included were 601 employees engaged in general administrative activities, 705 in oil production and refining, 611 in manufacturing plants (other than refining), and 777 in wholesale distribution, including transportation terminals and warehouses.



# Cooperative Grange League Federation Exchange, Inc.

(Stockholders voted on February 20, 1964, to merge with Eastern States Farmers' Exchange, Inc., Springfield, Mass. The new organization, Agway, Inc., began operations July 1, 1964, with headquarters in Syracuse, N.Y.)

Cooperative Grange League Federation Exchange, Inc., Ithaca, N.Y., commonly known as GLF was organized June 28, 1920. It serves farmers in New York, New Jersey, and the northern tier of counties in Pennsylvania--a territory comprising most of the "New York Milkshed."

GLF is a centralized cooperative in which farmers hold direct membership. Any farmer-patron with a bona fide farm operation may become a member by acquiring one \$5 share of common stock and agreeing to the provisions of the bylaws. Each member has one vote.

GLF's board of 14 directors is responsible directly to its farmer-members. Ten of the directors are nominated by districts, 2 by the New York State Grange, and 2 by the New York Farm Bureau. They serve 2-year terms on a staggered basis.

GLF is an integrated organization. It performs manufacturing, processing, wholesaling, transportation, insurance, and retailing services. At the end of the fiscal year, June 30, 1963, GLF was providing these services for about 120,000 regular farmer-patrons and 90,000 nonfarmer-patrons. Farmers qualifying as stockholder members of GLF numbered 117,169. From 80 to 90 percent of its supply purchasing business was with farmer-patrons.

On June 30, 1963, GLF was providing supplies and related services to its patrons through the following types of retail outlets:

Retail outlets	Number <sup>1</sup>
GLF retail service stores (including 20 branches)	241
GLF petroleum cooperatives (including one branch)	66
GLF agent buyers	244
Independent local cooperatives	36
Supplementary agents	7
Farmer agents	4
Total	598

<sup>1</sup> Based on June 30, 1961, data.

The retail service stores are cooperative corporations managed by GLF. They distribute farm supplies and in some cases market farm products for patrons. Technically, these stores are subsidiaries of GLF, as the parent cooperative holds in trust

for the local farmer-members all common stock of the retail service stores. Local farmers own all the preferred stock in these.

Each store holds annual meetings, at which time member committees are elected. The member committee has many powers of a local board of directors. Many of these stores are financed centrally, and some are financed directly through the Baltimore and Springfield Banks for Cooperatives. The headquarters office of GLF supervises them under management contracts that may be canceled at any time by the service stores.

GLF petroleum cooperatives are organized in a similar way, but they are located so as to perform a specialized petroleum service for patrons over wider areas.

About 66 percent of GLF's wholesale volume was distributed through these service stores and petroleum cooperatives.

Agent-buyers are independent business operators or dealers who have been granted franchises to handle GLF commodities in accordance with association policies. The independent local cooperatives are locally controlled farmer cooperatives handling GLF farm supplies on the same basis as agent-buyers. In many cases they primarily are local marketing associations with purchasing as an additional service. Supplementary agents are merchants, or others, who handle certain GLF products such as fertilizer or seed, but not the complete line.

About 34 percent of GLF's wholesale volume was distributed through agent-buyers, independent local cooperatives, and supplementary agents in 1962-63. Under the same wholesale terms, these various types of retail outlets obtain supplies for redistribution through the manufacturing and processing plants and warehouses that GLF maintains at Buffalo and Albany, N.Y., and other strategically located centers.

GLF conducts certain of its operations through the following wholly owned subsidiaries: Cooperative G.L.F. Holding Corporation, which is principally a real estate holding company; the Comark Corporation (formerly the GLF Agency Corporation), which owns and operates nonagricultural retail cooperatives and other specified enterprises; and the GLF Petroleum Corporation, which owns and operates petroleum agencies and stations on a noncooperative basis in areas becoming increasingly suburban. GLF also is a majority stockholder of Curtis-Burns, Inc., which processes fruits and vegetables; and of Pro-Fac Cooperative, Inc., a processing distributor of fruits and vegetables supplied by Pro-Fac Cooperative, Inc., a New York marketing cooperative of 700 growers organized by GLF. These subsidiaries are consolidated in the financial statements of GLF.

In addition GLF has a wholly owned subsidiary--Grange League Federation Insurance Company--to provide insurance for the entire GLF organization and its affiliates; but because of its different nature, it is not consolidated in the financial statements of GLF.

Wholesale value of supplies distributed by GLF for the fiscal years ended June 30, 1962, and 1963, appears at the top of the next page.

Commodities	1962 <sup>1</sup>	1963 <sup>1</sup>
Feed, grain, flour, and cereals	\$92,436,234	\$96,000,000
Fertilizer and lime (including shells and bedding)	17,500,000	18,000,000
Petroleum products	20,617,998	21,400,000
Tires, tubes, and auto supplies	3,100,000	3,200,000
Seed and seed potatoes	6,942,047	7,200,000
Refrigeration equipment	1,500,000	1,700,000
Farm equipment and parts (other than farm machinery)	4,800,000	5,000,000
Steel and other metal products	3,900,000	4,000,000
Building material, paint, and roofing	2,700,000	2,800,000
Insecticides, sprays, and farm chemicals <sup>2</sup>	5,100,000	5,200,000
Containers and packaging materials	457,570	500,000
Rope and twine	1,200,000	1,300,000
Lawn and garden equipment	3,500,000	3,700,000
Hardware, tools, and miscellaneous supplies	<u>861,721</u>	<u>955,953</u>
Total	164,615,570	170,955,953

<sup>1</sup> Approximate amounts for most items.

<sup>2</sup> In 1962, sales of pesticides were \$1,292,204; and sales of farm chemicals were about \$3,808,000.

Value of supplies and related services obtained at retail by farmers through GLF-managed retail outlets for the fiscal years ended June 30, 1962, and 1963, was:

Type of retail services	1962	1963
GLF retail service stores	\$114,466,495	\$118,000,000
GLF petroleum cooperatives	<u>30,542,603</u>	<u>31,000,000</u>
Total	145,009,098	149,000,000
Service revenue from patrons for grinding, mixing, lime spreading, and the like	6,035,488	6,100,000

In some areas, GLF also provides cooperative marketing services--principally for eggs, grain, and beans. Marketing is conducted mainly through retail service stores, but the following types of separate marketing facilities were maintained on June 30, 1963 as shown at the top of the next page.

Marketing facilities	Number <sup>1</sup>
Grain elevator	1
Bean plants	4
Egg receiving and sales agencies	7
Terminal sales agency for beans and grain	1
Cold storage plant	1
Fruit and vegetable processing plant	6

<sup>1</sup>Based on 1961 and 1962 data.

The value of farm products marketed by the GLF Marketing Division and subsidiaries (direct for members and GLF service stores) during the years ended June 30, 1962, and 1963, was:

Commodities	1962	1963
Eggs	\$9,188,755	\$10,000,000
Poultry	1,991,346	2,000,000
Fruits and vegetables (including potatoes)	12,888,953	15,561,898
Grain	3,672,606	3,700,000
Beans	3,933,540	4,000,000
Total	31,675,200	35,261,898

The value of farm products marketed by GLF service stores totaled \$7,756,149 in 1962. (The amount for 1963 was not obtained.)

Net margins of GLF and its consolidated subsidiaries and their distribution for the fiscal years ended June 30, 1962, and 1963, were as follows:

Distribution of net margins	1962	1963
Federal income taxes	\$1,726,000	\$2,358,000
Cash dividends on capital stock	1,464,851	1,452,078
Patronage refunds in cash	--	1,000,000
Patronage refunds in revolving fund certificates	2,301,000	36,000
Additions to retained margins (capital reserves)	379,379	1,050,651
Total	5,871,230	5,896,729

Total net margins of the combined GLF wholesale and retail system and their distribution in 1962 and 1963 were as follows:

Distribution of net margins	1962	1963
Cash dividends on capital stock	\$2,128,800	\$2,094,000
Patronage refunds in cash	1,099,200	2,301,000
Patronage refunds in revolving fund certificates	2,431,000	111,000
Federal income taxes	2,452,000	2,879,000
Additions to retained margins (capital reserves)	<u>1,302,000</u>	<u>1,786,000</u>
Total	9,413,000	9,171,000

Total net margins of the combined GLF wholesale and retail system since organization in 1920 through June 30, 1963, have been \$179,201,160. Of this amount, GLF paid \$31,120,012 in cash dividends on capital stock, \$58,137,348 as cash patronage refunds, \$4,831,227 in revolving fund certificates, and \$39,719,469 in Federal income taxes; and \$45,393,104 was added to the "retained margins" or general reserve and surplus account.

The financial position of GLF and its consolidated subsidiaries as of June 30, 1962, and 1963, is shown in the following condensed balance sheet:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$48,305,107	\$54,175,066
Fixed assets (net)	18,775,052	19,810,558
Other assets (investments)	<u>10,256,019</u>	<u>9,298,864</u>
Total	77,336,178	83,284,488
<b>Liabilities and patrons' equities:</b>		
Current liabilities	16,929,015	23,761,699
Other liabilities	8,508,877	5,204,063
Capital stock and patrons' equities	<u>51,898,286</u>	<u>54,318,726</u>
Total	77,336,178	83,284,488

The net worth or member and patron equities on June 30, 1963, consisted of the items appearing at the top of the next page.



Item	Amount
Capital stock--preferred	\$7,957,600
Capital stock--common	18,699,725
Revolving fund certificates	4,239,488
Retained margins	23,421,913
Total	54,318,726

Total assets of the combined GLF wholesale and retail system were \$133 million in 1962 and \$136 million in 1963.

The following tabulation shows the number and value of the principal facilities (buildings and equipment, by plants) owned and operated by GLF and its affiliated service stores and petroleum and marketing cooperatives on June 30, 1961, (the latest date such information was obtained):

Facilities <sup>1</sup>	Number of plants or units	Cost value	Depreciated value
GLF wholesale, manufacturing, and regional marketing:			
Land	--	\$1,230,390	\$1,230,390
Feed mills	4	11,447,560	6,790,203
Fertilizer and insecticide plants	13	6,423,977	3,016,036
Seed cleaning plants	6	1,757,599	1,068,779
Farm supply warehouses	8	1,334,323	670,278
Petroleum bulk storage terminals	11	2,452,760	1,574,398
Marketing warehouse, storage, and processing plants	11	1,790,161	1,032,203
Office buildings and equipment	--	2,867,571	1,574,654
Flour and cereal mills and elevators	2	407,574	233,848
Other facilities	--	913,592	576,767
Subtotal		30,625,507	17,767,556
GLF retail and local marketing:			
Land	--	825,872	825,872
Retail service stores	241	25,306,125	13,423,345
Bulk petroleum plants	66	6,671,791	2,764,115
Marketing warehouse, storage and processing units	1	57,187	41,513
Subtotal		32,860,975	17,054,845
Total fixed assets		63,486,482	34,822,401

<sup>1</sup> Does not include facilities represented by investments in subsidiaries shown in "other assets".



GLF on June 30, 1961, also had \$4,515,460 invested in federations of regional cooperatives and allied companies that operated various manufacturing and wholesaling facilities.

On June 30, 1961, the GLF wholesale and retail system had 4,748 employees. Of these, 247 were in general administrative activities, 760 in wholesale distribution, 739 in manufacturing and processing operations, 2,723 in retail distribution, and 279 in marketing farm products. The figures for the operating groups performing retail, wholesale, and manufacturing service include administrative, accounting, and clerical employees, but they do not include retail employees of independent cooperatives and agent-buyers who may spend most of their time in distributing GLF farm supplies.

## FS Services, Inc.

FS Services, Inc., Bloomington, Ill., was organized in July 1962 for the purpose of merging Illinois Farm Supply Company, Chicago, Ill., and the Farm Bureau Service Company of Des Moines, Iowa. On August 31, 1962, this merger became effective.<sup>1</sup> At the end of its operating year on August 31, 1963, FS Services was providing manufacturing and wholesale farm supply services for 91 Class "A" member service companies in Illinois and 46 service companies in Iowa. Most of these associations operated over countywide areas and served about 180,000 patrons, with 97 percent of them farmers.

Class "A" members are the county service companies handling petroleum, feed, plant food, and general farm supplies. Each is required to own one share of common stock (no par value). All have membership agreements with FS Services, Inc.

FS Services, Inc., has prior preferred stock in the amount of \$2,221,655. This is nonvoting stock. The balance of the preferred stock is used for financing, and each share of preferred stock carries voting rights. The large dollar amount of this stock is owned by the local Class "A" member cooperatives.

FS Services, Inc. and the county cooperative system operate on a federated basis. Local Farm Bureau members own the local member companies. These companies in turn own FS Services, Inc., and elect 12 of its directors for 2-year terms on a district basis. In addition, 2 directors of the Illinois Agricultural Association (the State Farm Bureau organization) and 2 directors of the Iowa Farm Bureau Federation are elected to serve on the board for 2-year terms.

The Illinois Agricultural Association holds 33-1/3 percent and the Iowa Farm Bureau Federation holds 16-2/3 percent of the voting shares of capital stock in FS Services, Inc.

FS Services, Inc., has one wholly owned subsidiary, the Imperial Chemical Company, Inc. which operates a chemical manufacturing plant. Another subsidiary, Loudon Pipeline

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<sup>1</sup>All data provided in this report for 1962 include combined results of operations of Illinois Farm Supply Company for the year ended August 31, 1962, and the Farm Bureau Service Company of Iowa for the year ended July 31, 1962.

Company, which operated crude oil pipelines and production properties in Illinois, was liquidated on March 28, 1963.

Value of supplies distributed at wholesale by FS Services, Inc., and its subsidiaries during the fiscal years ended August 31, 1962, and 1963, was:

Commodities	1962	1963
Feed	\$20,593,472	\$24,977,076
Fertilizer	25,202,061	29,422,051
Petroleum products	47,557,250	45,537,269
Tires, tubes, and accessories	1,210,255	1,233,492
Farm equipment	1,343,147	2,084,473
Steel products	1,050,864	1,258,990
Lumber, paint, and other maintenance equipment	2,469,314	3,032,946
Insecticides	1,343,070	1,560,747
Twine	383,857	349,856
Antifreeze and office supplies	369,708	122,978
Total	101,522,998	109,579,878

The value of farm products (livestock) marketed in the 2 years under discussion was as follows: \$8,864,678 in 1962 and \$9,792,120 in 1963.

Total net margins from manufacturing, wholesaling, marketing, and transportation operations available to member companies, and their distribution for the 2 years were:

Distribution of net margins	1962	1963
Federal income taxes	\$597,484	\$678,155
Cash dividends on capital stock	515,674	636,630
Patronage refunds paid in:		
Cash	3,671,043	5,474,798
Capital stock	1,604,880	1,400,000
Additions to retained surplus	81,352	45,650
Total	6,470,433	8,235,233

Approximately 100 percent of the net margins in 1961-62 and 100 percent in 1962-63 were derived from supply operations.

Total net margins of FS Services, Inc., and its predecessors (Illinois Farm Supply Company and Farm Bureau Service Company of Iowa) and their subsidiaries since organizing in 1927 have been \$91,563,799. Of this amount, the organization paid

\$13,184,522 as Federal income taxes, \$5,823,404 as dividends on capital stock, \$52,128,100 as cash patronage refunds, \$13,784,979 as patronage refunds in capital stock, and retained the remaining \$6,642,794 as surplus. The company does not operate on a revolving capital basis.

The financial condition of FS Services, Inc., and its subsidiaries on August 31, 1962, and 1963, was:

Item	1962	1963
Assets:		
Current assets	\$24,235,121	\$20,709,823
Fixed assets (net)	8,473,284	7,554,687
Other assets	10,899,564	13,214,466
Total	43,607,969	41,478,976
Liabilities and net worth:		
Current liabilities	10,427,806	9,652,681
Other liabilities	6,512,050	6,312,400
Net worth or members' equities	26,668,113	25,513,895
Total	43,607,969	41,478,976

The net worth or member and patron equities of the association on August 31, 1963, consisted of the following items:

Item	Amount
Preferred stock	\$21,561,455
Capital through consolidation	44,572
Retained earnings	3,907,868
Total	25,513,895

On August 31, 1963, FS Services, Inc., had accumulated 85 percent of its net worth through the sale of stock and 15 percent through tax paid surplus.

The type, number, and value of the principal operating facilities (buildings and equipment, by plants) owned by FS Services, Inc., and its wholly owned subsidiaries on August 31, 1963, appear at the top of the next page.

Facilities	Number of plants or units	Cost value	Depreciated value
<u>FS Services, Inc.</u>			
Feed mills	2	\$3,992,336	\$2,390,341
Marine terminal bulk petroleum plants	3	1,463,590	747,116
Transport trucks	101	2,813,544	1,054,842
Barges and towboats	3 & 1	850,578	293,941
Plant-food plants	3	3,696,468	1,057,550
Petroleum refinery	1	3,112,940	312,303
Other facilities--research farm	--	2,004,033	851,919
Headquarters--furniture and equipment	--	1,297,679	699,674
Construction in progress	--	66,442	66,442
Total fixed assets		19,297,610	7,474,128
<u>Imperial Chemical Company, Inc. (Subsidiary):</u>			
Fixed assets	--	104,025	80,559
Grand total	--	19,401,635	7,554,687

FS Services, Inc., also had \$12,477,471 invested in federations of regional cooperatives and allied companies that operated various refining, producing, manufacturing, and wholesaling facilities.

This association and its subsidiary had 800 employees on August 31, 1963. Of these, 225 were in general and administrative activities, 190 in manufacturing and processing operations, and 385 in wholesale distribution, including transportation and warehousing.

## Farmers Union Central Exchange, Inc.

Farmers Union Central Exchange, Inc., with headquarters at South Saint Paul, Minn., was organized in 1931. At the end of its operating year, December 31, 1963, it was serving 492 member associations with approximately 300,000 patrons, 88 percent of them farmers, and 358 nonmember associations with approximately 125,000 patrons, 73 percent of them farmers. The Central Exchange serves affiliated cooperatives in Wisconsin, Minnesota, North Dakota, South Dakota, Montana, and parts of Wyoming, Idaho, Washington, and Oregon.

A local farmer cooperative may become a member of the Central Exchange by acquiring one \$25 share of common stock and agreeing to comply with its bylaws. Each member cooperative has 1 voting delegate for every 100 individual members or common stockholders, or major fraction thereof, in its association. The Central Exchange has 11 directors, elected by districts for staggered terms of 3 years.

Farmers Union Central Exchange, Inc., is independent of the various State Farmers Union membership organizations in the area it serves. It does, however, prorate 5 percent of its net cash savings, before distribution, as service expense each year to these State organizations for the purpose of promoting and encouraging the development of cooperatives. The same relationship exists between many of the local cooperatives affiliated with the Central Exchange and the local and county Farmers Unions in their areas.

Farmers Union Central Exchange distributed supplies at wholesale during its fiscal years ended December 31, 1962, and 1963, as follows:

Commodities	1962	1963
Feed	\$6,273,889	\$6,808,830
Seed	755,514	734,424
Fertilizer	11,569,168	13,615,950
Petroleum products	55,718,558	56,051,255
Tires, tubes, and other accessories	10,437,605	10,586,505
L. P. gas equipment	1,392,776	1,886,239
Oil equipment (station and farm)	933,126	1,167,576
Farm machinery and parts	988,964	1,206,074
Milking machines	138,376	137,795
Paint	517,991	715,619
Hardware	3,574,733	4,605,307
Electrical equipment and appliances	619,224	766,894
Twine	1,381,186	1,662,398
Agricultural chemicals	1,715,921	2,168,726
Miscellaneous	213,965	269,720
Total	96,230,996	102,383,312

The Exchange derived net margins available to patrons for fiscal years 1962 and 1963 from the following sources:

Source of net margins	1962	1963
Manufacturing and wholesaling operations	\$7,388,454	\$6,948,890
Net savings in form of stock and stock credits from other cooperatives	1,797,538	2,416,444
Total	9,185,992	9,365,334



The association distributed these net margins as follows:

Distribution of net margins	1962	1963
Cash dividends on capital stock	none	none
Cash patronage refunds	none	\$1,873,067
Patronage refunds in capital stock	\$8,267,393	6,555,734
Additions to capital reserves and other reserves	<u>918,599</u>	<u>936,533</u>
Total	9,185,992	9,365,334

In addition to paying patronage refunds in capital stock, the Exchange made quarterly price adjustments in cash on the purchases of certain light petroleum products by local cooperatives. The price adjustments totaled \$1,587,484.41 in 1962 and \$1,573,180.42 in 1963.

The Central Exchange also made cash retirements of revolving capital each of the last 2 years. Capital stock amounting to \$5,616,680, originally issued in payment of patronage refunds, was retired in 1962. The amount retired in 1963 was \$9,217,453. The association has now retired all such capital stock issued from 1931 through 1955.

Total net savings from the Central Exchange available to member and patron companies since its organization in 1931 have been \$132,479,806. Of this amount, the association paid \$716,795 as cash dividends on capital stock, \$92,310,373 as patronage refunds in capital stock, \$23,660,635 as price adjustments, and \$1,873,067 in cash patronage refunds for 1963. It added \$11,254,261 to allocated capital reserves.

The total amount of cash returned to local cooperatives by December 31, 1963, was \$62,908,107. This consisted of the dividends, refunds, and prior adjustments just mentioned plus capital stock representing patronage refunds retired under the revolving capital plan amounting to \$36,657,609.

A condensed financial statement of the Central Exchange for December 31, 1962, and 1963, follows:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$40,570,377	\$39,109,724
Fixed assets (net)	23,832,872	23,822,076
Other fixed assets (crude oil properties)	2,775,741	2,652,421
Investments	<u>17,012,539</u>	<u>17,563,252</u>
Total	84,191,529	83,147,473
<b>Liabilities and net worth:</b>		
Current liabilities	12,191,008	12,891,800
Noncurrent liabilities	1,024,833	1,018,440
Net worth (capital and reserves)	<u>70,975,688</u>	<u>69,237,233</u>
Total	84,191,529	83,147,473



The net worth of the association on December 31, 1963, consisted of the following:

Item	Amount
Common stock	\$12,425
Preferred stock	57,282,858
General or capital reserves-- allocated	<u>11,941,950</u>
Total	69,237,233

All of the common and preferred capital stock represents reinvested patronage re-funds. No stock or other securities have been sold to member associations or others.

Facilities (buildings, equipment, and plants) owned and operated by the association at the close of 1963 included:

Facilities	Number of plants or units	Cost value	Depreciated value
Land	--	\$463,018	\$463,018
Bulk fertilizer blending plants (local)	27	1,370,328	1,033,716
Wholesale farm supply warehouses	8	1,320,467	1,030,099
Oil blending plant, main office, and warehouse	1	4,086,094	2,914,242
Autos and trucks	--	1,176,630	705,467
Furniture and fixtures	--	1,142,956	324,490
Refinery property	1	17,784,635	9,631,024
Crude oil properties	--	9,228,574	4,704,429
Bottled gas plants and equipment (retail)	24	904,232	533,660
Pipeline terminal	1	472,567	331,590
Pipeline	1	<u>5,601,411</u>	<u>4,802,761</u>
Total		43,550,912	26,474,496

The Exchange also had \$13,831,817 invested in federations of regional cooperatives which operated manufacturing and wholesaling facilities.

On December 31, 1963, the Exchange and its subsidiaries had 861 employees. Of these, 348 were engaged in general and administrative activities, 242 in manufacturing and processing operations, and 271 in wholesale distribution, including warehousing and transportation.

## Southern States Cooperative, Inc.

Southern States Cooperative, Inc., (referred to as SSC) Richmond, Va., was organized on July 21, 1923, as the Virginia Seed Service. When its charter was amended in 1930, it became the first purchasing cooperative chartered under the Virginia Cooperative Marketing Act. The present name was adopted in 1933.

At the end of its operating year on June 30, 1963, it was furnishing supplies through local cooperatives, service agencies, and retail branches to 331,046 members in Virginia, West Virginia, Kentucky, Maryland, and Delaware. The number of nonfarmers served was estimated at 20,000. Approximately 95 percent of its production supply or purchasing business was with farmer-patrons.

SSC is both a centralized and a federated cooperative with both cooperatives and farmers directly holding membership in it, but in practice it operates on a federated basis. Either a farmer-patron or an agricultural cooperative becomes a member by acquiring one or more shares of \$1 par value common stock, which may be issued in payment of patronage refunds, and by agreeing to provisions of the bylaws. Each member had only 1 vote.

SSC had 100,200 direct farmer-members on June 30, 1963. They were located in areas served by independent dealer-agents and branches of SSC.

Members served by each dealer-agent elect an advisory board of 6 members to vote for and represent the group in all matters at the annual meeting of SSC, as directors of local member cooperatives do.

SSC has 15 directors, of which 10 are elected by districts for staggered terms of 3 years. The other five are public directors appointed for 3-year terms on a staggered basis, one each by the Director of Extension Service of the land-grant college in each of the five States in which SSC operates.

On June 30, 1963, SSC was providing supplies and related services to its patrons through the following types of retail outlets:

Retail outlets	Number
Local affiliated cooperatives:	
Farm supply cooperatives with management contracts	124
Farm supply cooperatives without management contracts	48
Petroleum cooperatives with management contracts	25
Egg marketing services	3
Service agencies (independently owned)	444
Farm supply and petroleum retail SSC branches	<u>22</u>
Total	666

Local affiliated cooperatives with management contracts are separately incorporated associations. Their boards of directors employ SSC to perform certain management, accounting, auditing, and financial services on a fee basis. It is through these farm supply and petroleum cooperatives that SSC distributes approximately 48 percent of its wholesale volume. Those associations without management contracts are independent cooperatives, which use the association as a source of wholesale supplies.

Service agencies are independent retail farm supply dealers who have been awarded the SSC franchise upon recommendation of the local membership. Under the terms of this

franchise, dealers handle the supplies under conditions agreed upon. Approximately 52 percent of the association's wholesale volume is distributed through these agencies and the farm supply cooperatives without management contracts.

Several subsidiary cooperatives conduct the feed and fertilizer manufacturing operations of SSC. Some of these subsidiaries are wholly owned and some are majority owned. In the latter, several other wholesale cooperatives own an interest and use them as a source of some or all of their feed and fertilizer requirements. An example is Cooperative Mills, Inc., Baltimore, Md.

The value of supplies distributed at wholesale, including those manufactured for other regional cooperatives, for the fiscal years ended June 30, 1962, and 1963, was as follows:

Commodities	1962	1963
Feed	\$45,277,250	\$40,653,649
Fertilizer	17,012,489	17,828,580
Seed	6,440,438	7,310,627
Petroleum products and equipment	10,593,623	10,386,005
Auto accessories	2,630,736	2,517,608
Farm equipment and tools	3,160,599	3,192,896
Hardware and steel products	5,466,016	5,669,810
Paint and asphalt	1,082,613	1,045,272
Insecticides, sprays, and chemicals	3,083,286	3,133,004
Electrical equipment and appliances	1,275,614	1,306,503
Miscellaneous	<u>55,527</u>	<u>55,215</u>
Total <sup>1</sup>	96,078,191	93,099,169

<sup>1</sup>Does not include hatchery sales. These were reported with eggs and poultry marketed on page 22.

These volumes included supplies, mainly feed and fertilizer, manufactured for other regional cooperatives in the amount of \$7,451,567 in fiscal year 1961-62 and \$6,742,437 in fiscal year 1962-63.

In addition, SSC had retail sales of farm supplies and petroleum of \$668,147 in fiscal 1961-62 and \$2,575,489 in fiscal 1962-63 through its own retail branches. Retail sales of supplies by farm supply and petroleum cooperatives managed by SSC amounted to \$70,521,037 in fiscal 1961-62 and to \$65,685,709 in fiscal 1962-63.

SSC has marketing services for several farm products produced by members. On June 30, 1963, the association operated 3 terminal egg sales agencies, 5 terminal grain marketing services, and 1 poultry processing plant. Farm products, and their value, marketed through SSC the last 2 fiscal years appear at the top of the next page.

Commodities	1962	1963
Eggs and poultry <sup>1</sup>	\$9,437,868	\$9,661,021
Grain	<u>23,321,233</u>	<u>17,611,203</u>
Total	32,759,101	27,272,224

<sup>1</sup>Includes hatchery sales of \$561,385 in 1963 and \$541,716 in 1962.

Net margins available to patrons of SSC and its subsidiaries (primarily on wholesale and marketing operations) and of the combined SSC wholesale and retail system, and the distribution of such net margins in fiscal years 1962 and 1963 were as follows:

Distribution of net margins	SSC and subsidiaries		Combined SSC system (wholesale and retail)	
	1962	1963	1962	1963
Cash dividends on capital stock	\$1,637,090	\$1,541,705	\$1,924,028	\$1,924,641
Patronage refunds in cash	279,906	457,115	493,194	732,935
Patronage refunds in stock and member equities	78,584	1,029,801	1,184,085	2,013,575
Additions or adjustments to capital reserves	<u>43,877</u>	<u>-12,016</u>	<u>-256,990</u>	<u>-137,721</u>
Total	2,039,457	3,016,605	3,344,317	4,533,430

All of the net margins in both years were derived from supply operations as marketing operations resulted in losses.

For the fiscal year ended June 30, 1962, SSC and its subsidiaries retired voting stock amounting to \$231,914, issued originally in the payment of patronage refunds. For the year ended June 30, 1963, the redemptions totaled \$209,111. For many years the policy has been to retire upon request, at par value, the voting stock issued 10 years previously.

Total net margins available to patrons of the combined SSC system since organizing in 1923 have been \$84,894,374. Of this amount, SSC paid \$23,014,241 as cash dividends on capital stock, \$20,845,270 as patronage refunds in cash, and \$33,665,119 in capital stock, capital book equities, and debentures. It retained the remaining \$7,369,744 for capital as general reserves. The total amount of capital stock retired under the association's revolving capital plan has been \$9,185,599.

As of June 30, 1962, and 1963, the financial condition of SSC and its subsidiaries, and of the combined SSC wholesale and retail system appears at the top of the next page.

Item	SSC and subsidiaries		Combined SSC system (wholesale and retail)	
	1962	1963	1962	1963

Assets:

Current assets	\$30,355,357	\$30,039,547	\$40,080,664	\$39,330,156
Fixed assets (net)	19,805,175	19,367,915	30,377,664	29,870,740
Other assets (net)	<u>10,186,644</u>	<u>11,310,899</u>	<u>7,185,540</u>	<u>8,187,245</u>
Total	60,347,176	60,718,361	77,643,868	77,388,141

Liabilities and net worth:

Current liabilities	3,781,440	5,239,799	4,233,673	6,095,895
Deferred liabilities	15,357,969	14,334,653	18,254,392	17,415,364
Net worth or members and patrons equities	<u>41,207,767</u>	<u>41,143,909</u>	<u>55,155,803</u>	<u>53,876,882</u>
Total	60,347,176	60,718,361	77,643,868	77,388,141

The net worth, or member and patron equities, of SSC and subsidiaries and of the combined SSC wholesale and retail system on June 30, 1963, consisted of the following items:

Item	SSC and subsidiaries	Combined SSC system
Preferred capital stock	\$13,648,100	\$13,648,100
Common capital stock	13,850,332	6,452,579
Preferred and common--affiliates	--	14,998,575
Preferred and common--minority interest of other cooperatives	1,191,000	1,191,000
Capital book equities and certificates	3,200,197	5,330,403
Capital reserves	<u>9,254,280</u>	<u>12,256,225</u>
Total	41,143,909	53,876,882

Approximately 44 percent of the common and preferred capital stock represented retained patronage refunds, and the remaining 56 percent had been sold to members and others.

Appearing at the top of the next page is a tabulation of the number and value of facilities (buildings and equipment, by plants) owned and operated by SSC and its subsidiaries and by its retail cooperatives on June 30, 1963.



Facilities	Number of plants or units	Cost value	Depreciated value
<u>SSC and subsidiaries:</u>			
(Wholesale, manufacturing, and marketing)			
Headquarters building	1	\$2,209,842	\$1,289,661
Feed mills	6	12,732,660	8,388,179
Fertilizer plants	8	5,182,964	2,910,316
Seed cleaning plants and wholesale farm supply warehouses	8	4,827,550	2,981,051
Petroleum terminals and transport equipment	4	1,408,478	782,078
Research and analysis laboratory	1	32,618	4,444
Grain marketing facilities	5	645,123	373,660
Poultry and egg marketing outlets	4	1,005,152	574,027
Other facilities	--	3,235,817	2,064,499
Subtotal--regional	--	31,280,204	19,367,915
<u>SSC local cooperatives:</u>			
(Retail and marketing)			
Service stores	124	14,088,397	8,777,707
Bulk petroleum plants	25	3,171,312	1,725,118
Subtotal--local	--	17,259,709	10,502,825
Total	--	48,539,913	29,870,740

SSC and its subsidiaries also had \$649,400 invested in federations of regional cooperatives plus \$4,052,798 in allied companies operating various manufacturing and wholesale facilities. These investments are in "other assets" in SSC's balance sheet.

On June 30, 1963, the combined SSC system had 2,903 employees. Of these, 440 were engaged in general administrative activities, 1,327 in manufacturing and processing operations, 56 in wholesale distribution, 979 in retail distribution, and 101 in farm product marketing.

## Eastern States Farmers' Exchange, Inc.

(Stockholders voted on Feb. 19, 1964 to merge with Cooperative G.L.F. Exchange, Inc. and become Agway Inc., Syracuse, N.Y., on July 1, 1964.)

The Eastern States Farmers' Exchange, Inc., West Springfield, Mass., was organized on January 28, 1918. At the end of 1963 it was serving over 83,000 farmer members in the 6 New England States, Pennsylvania (except for the northern tier counties), Delaware, and Maryland.

Eastern States Farmers' Exchange is a centralized cooperative with farmers holding direct membership in it. Membership is determined by patronage. Eastern States has no capital stock or membership fees. Every farmer who purchases from, or markets through, the association becomes a member and remains a member for the calendar



year following the date of his last patronage. Each member has only 1 vote. About 92 percent of the Exchange's 1963 production supply or purchasing business was with farmer-patrons.

Eastern States had 57 directors in 1963. Their terms are for 3 years, with one-third elected each year. The Executive Committee consists of 12 members plus the president.

The association at the end of 1963 was serving patrons through 288 farmer-representatives that assembled orders for carloads of feed, fertilizer, and other supplies, 20 independent cooperatives that also served as representatives, and 126 regional branch service centers strategically located to supplement local car-door distribution. It also had 6 egg candling plants.

Eastern States is an integrated farmers' nonstock, nonprofit cooperative agency for procuring production supplies and marketing agricultural products for its members. It processes a large proportion of the supplies it handles.

Value of production supplies distributed to patrons was \$84,374,352 for the fiscal year ended December 31, 1962, and \$88,156,113 for 1963.

The principal categories of production supplies sold were:

Commodities	1962	1963
Feed	\$56,591,395	\$53,539,993
Field seeds	2,964,137	3,274,297
Seed potatoes	581,794	642,943
Vegetable seeds	593,165	636,116
Fertilizer and lime	11,275,597	12,251,486
Agricultural chemicals	3,417,966	3,304,496
Farm supplies <sup>1</sup>	6,979,124	7,782,034
Husbandry supplies	1,000,549	5,743,238
Drugs	195,132	236,612
Total	83,598,859	87,411,216
Services--grinding & mixing	775,493	744,898
Total	<sup>2</sup> 84,374,352	<sup>2</sup> 88,156,113

<sup>1</sup>Includes tires, aluminum roofing, batteries, twine, paint, fencing, roofing, creosote posts, poles and lumber, and antifreeze.

<sup>2</sup>Revised for comparison.

Sales value of farm products marketed in 1962 was \$10,598,106, consisting of \$8,707,656 mostly from eggs and \$1,890,450 from grain. Sales in 1963 were \$10,866,337, consisting of \$7,883,209 from eggs and \$2,983,128 from grain.

Total net margins for the 2 years under discussion were distributed as follows:

Distribution of net margins	1962	1963
Patronage refunds in cash	\$1,813,854	\$1,983,465
Allocated to patrons and retained as patrons' equities for capital purposes	<u>1,026,635</u>	<u>-66,307</u>
Total	2,840,489	1,917,158

Total net savings available to patrons who purchased supplies during 1962 were \$2,813,354 and in 1963 were \$2,158,107. Marketing operations resulted in an operating gain of \$27,135 in 1962 and a loss of \$240,949 in 1963.

Total net savings since organization in 1918 have been \$72,739,012. Of this amount, \$39,711,891 was paid in cash patronage refunds and the remaining \$33,027,121 was allocated to patrons and retained as capital.

The financial statement for Eastern States Farmers' Exchange as of December 31, 1962, and 1963, was as follows:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$23,161,462	\$26,804,285
Fixed assets (net)	24,221,427	24,795,481
Other assets	<u>134,032</u>	<u>635,412</u>
Total	47,516,921	52,235,178
<b>Liabilities and net worth:</b>		
Current liabilities	8,302,372	11,151,720
Fixed indebtedness	5,928,461	8,056,337
Net worth (patrons' equities)	<u>33,286,088</u>	<u>33,027,121</u>
Total	47,516,921	52,235,178

The net worth of the association on December 31, 1963, was \$33,027,121; it consisted entirely of equities of patrons who purchased supplies.

Principal facilities of the Exchange were 2 feed mills, 114 service centers, 5 fertilizer plants, 2 agricultural chemical plants, 12 branches, 2 research centers, 6 egg candling plants, and the general office building.

Eastern States had no investments in federations of regional cooperatives that operated manufacturing and wholesaling facilities at the end of 1963.

On December 31, 1963, Eastern States had 2,298 employees. Of these, 716 were engaged in general and administrative activities, 568 in manufacturing and processing operations, 30 in research activities, 173 in its marketing branches, and 811 in distributing operations through its service centers.

## **Indiana Farm Bureau Cooperative Association, Inc.**

Indiana Farm Bureau Cooperative Association, Inc., Indianapolis, Ind., was organized in its present form in February 1927. At the end of its operating year, December 31, 1963, it was serving 85 county farm bureau cooperatives in Indiana and 1 in Kentucky through a total of 258 distribution points. These 86 associations were distributing supplies to approximately 135,000 patrons, about 90 percent of them farmers.<sup>2</sup> None of the county associations were under management and financing arrangements with the State organization.

Membership in this State association is limited to the county associations just mentioned, which hold all of the State association's voting stock. Membership is obtained by purchasing a \$100 share of common voting stock and agreeing to the provisions of the bylaws. Each member association has only 1 vote.

The State association has 10 directors elected by districts for 3-year terms, and 1 public director appointed annually by the board of directors. The Indiana Farm Bureau Cooperative Association is independent of the Indiana Farm Bureau, Inc., but 1 or more directors may be on the boards of both organizations. The same relationship exists among the county Farm Bureau cooperatives and county Farm Bureaus.

The State association operated no retail branches for distributing farm machinery and other equipment in 1963. Retail sales were \$634,896 in 1962 and none in 1963.

This association has 1 wholly-owned subsidiary--The Farm Bureau Oil Company--which handles crude oil buying, producing, and pipeline operations.

Indiana Farm Bureau Cooperative Association, Inc., moved into marketing in 1947. Its first venture was in March 1947, when it started the Poultry and Egg Department. In October 1947, the Indiana Wool Growers merged with it; and in October 1949, the Indiana Grain Cooperative merged with it. On December 31, 1963, the Indiana Grain Marketing Division of the association was serving 227 locally owned cooperative elevators in the State.

The value of supplies distributed at wholesale by this State association during the fiscal years ended December 31, 1962, and 1963 appears at the top of the next page.

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<sup>2</sup> Many of these county cooperatives also market grain, wool, poultry, eggs, and other products.

Commodities	1962	1963
Feed	\$15,015,536	\$15,467,505
Seed	1,779,696	1,761,934
Fertilizer	13,825,269	15,952,250
Gasoline, oil, and grease	19,957,415	20,175,772
Tires, tubes, and accessories	844,346	832,475
Farm machinery and parts	1,013,779	178,280
Farm equipment	686,512	1,058,372
Steel products	1,561,036	1,600,109
Lumber, paint, and other maintenance equipment	4,871,393	5,165,725
Insecticides	1,514,203	1,502,641
Electrical equipment and appliances	268,407	204,800
Twine	253,539	302,189
Coal	613,053	510,607
Chicks, eggs, and turkey poults	321,024	438,676
Hardware	581,146	584,740
Miscellaneous <sup>1</sup>	763,598	807,267
Total	63,869,952	66,543,342

<sup>1</sup> Includes such items as bulk plant equipment, printing supplies, and wool growers' supplies.

Sales value of farm products marketed by the association during 1962 and 1963 was:

Commodities	1962	1963
Grain	\$104,708,903	\$125,242,024
Eggs	938,240	1,056,084
Wool	812,719	769,086
Total	106,459,862	127,067,194

In 1962, the Wool Department handled 1,460,825 pounds of wool, or approximately 65 percent of production in the State. In 1963, it handled 1,351,000 pounds, or approximately 65 percent of production in the State.

In its fiscal year ended December 31, 1962, the Grain Division marketed 59,551,267 bushels of grain. In its year ended December 31, 1963, it marketed 70,292,253 bushels of grain.

Total net margins from purchasing and marketing operations available to patrons, and their distribution for 1962 and 1963 appear at the top of the next page.

Distribution of net margins	1962	1963
Cash dividends on capital stock	\$439,166	\$448,023
Patronage refunds:		
Cash	6,355	707,441
Capital stock	2,802,000	2,795,000
Additions to capital reserves	<u>360,869</u>	<u>108,068</u>
Total	3,608,390	4,058,532

The cooperative derived approximately 58 percent of these net margins from supply purchasing operations in 1962 and 73 percent in 1963. It derived the remaining percentages from marketing operations.

The association also made cash retirements of its revolving capital in each of the last 2 years. During 1962, it retired \$946,300 of common stock, originally issued in payment of patronage refunds. As of December 31, 1962, it had retired 75 percent of the common stock issued in 1949.

In 1963, the association retired \$1,347,700 of common stock. By December 31, 1963, it had retired the balance of common stock issued in 1949, and 30 percent issued in 1950. (In March, 1964, it retired the balance of common stock issued in 1950 and 100 percent of 1951 common stock issued, totaling \$2,769,000).

The financial condition of the association on December 31, 1962, and 1963, is shown in the following condensed statement:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$35,383,499	\$39,207,045
Fixed assets (net)	19,385,206	18,160,175
Other assets	<u>12,763,285</u>	<u>12,400,883</u>
Total	67,531,990	69,768,103
<b>Liabilities and net worth:</b>		
Current liabilities	9,887,291	10,012,365
Other liabilities	6,209,313	7,129,413
Net worth (capital and reserves)	<u>51,435,386</u>	<u>52,626,325</u>
Total	67,531,990	69,768,103

The net worth or member and patron equities of the association on December 31, 1963, consisted of the following items as shown at the top of the next page.



Item	Amount
Capital stock outstanding	\$46,265,400
Patronage refunds to be applied against stock subscriptions	2,793,000
Reserve for revaluation of facilities acquired	116,930
General reserve	1,197,811
Patrons' equities	<u>2,253,184</u>
Total	52,626,325

On December 31, 1963, about 76 percent of the association's capital stock represented retained savings, and the remaining 24 percent had been sold to member associations and others.

At the close of 1963, the principal facilities (buildings and equipment, by plants) included:

Facilities	Number of plants or units	Cost value	Depreciated value
Land and improvements	--	\$642,122	\$583,482
Fertilizer plants and equipment	4	5,131,294	1,514,675
Petroleum refinery	1	7,698,617	2,093,927
Oil well production facilities	--	5,911,976	2,481,641
Petroleum product pipelines and equipment (miles)	230	4,399,129	3,199,049
Petroleum terminals and pump stations	5	2,892,337	1,727,675
Grain terminals and equipment	3	7,022,506	4,445,183
Seed plant and equipment	1	364,471	217,496
Wholesale farm supply warehouse	1	865,021	521,452
General office buildings	1	738,041	351,409
Administrative facilities	--	518,548	121,188
Hatcheries and equipment	14	198,002	26,954
Poultry breeding farm	1	146,239	97,199
Poultry and egg plants and equipment	2	173,187	48,751
Farm chemicals plant	1	186,893	116,373
Stock equipment plant	1	75,052	44,591
Farm lumber center	1	189,526	131,306
Other marketing and supply facilities	--	<u>1,033,760</u>	<u>437,824</u>
Total		38,186,721	18,160,175
Properties represented by investments and capital stock of its subsidiary in "other assets":			
Crude oil properties (intangible cost)	--	11,948,746	4,342,040
Crude oil pipeline and equipment of subsidiary (Farm Bureau Oil Company)	--	<u>3,375,358</u>	<u>906,360</u>
Total		53,510,825	23,408,575

The association also had \$5,544,470 invested in federations of regional cooperatives that operated various manufacturing and wholesaling facilities. These investments are included in "other assets" of the association.

On December 31, 1963, the Indiana Farm Bureau Cooperative Association and its subsidiary had 1,071 employees. Of these, 215 were engaged in general and administrative activities, 434 in manufacturing and processing operations, none in retail distribution, 263 in wholesale distribution including warehousing and transportation, and 159 in marketing farm products.

## Midland Cooperatives, Inc.

(Stockholders voted to merge with  
Central Cooperatives, Inc., Superior, Wis., on December 1, 1963.  
In this report, they are treated separately.)

Midland Cooperatives, Inc., Minneapolis, Minn., was organized on September 8, 1926. At the end of its operating year on August 31, 1963, it was serving 750 member associations with about 350,000 patrons, 95 percent of them farmers, and 150 nonmember associations with about 75,000 patrons. Twenty of these local cooperatives were under a management agreement with Midland.

This association operates throughout Minnesota and Wisconsin, in northern Iowa, and in the eastern parts of the Dakotas.

Membership in Midland is limited to cooperatives and is obtained by acquiring one \$1,000 share of common stock and agreeing to the provisions by the bylaws. Each Class A common stockholder has 1 vote plus additional votes based on the amount of business transacted with Midland. Class B common stockholders have one vote only. Midland has 13 directors elected by districts for staggered terms of 2 years.

The association distributed supplies at wholesale during the fiscal years ended August 31, 1962, and 1963, as follows:

Commodities	1962	1963
Feed, flour, and mill feed	\$4,540,670	\$4,657,205
Fertilizer	6,063,821	6,658,488
Seed	769,775	796,864
Petroleum products	32,623,252	33,447,986
Tires, tubes, and accessories	3,251,612	3,291,691
Steel products	1,042,423	1,053,459
Paint and related products	261,484	296,365
Insecticides	760,679	927,160
Electrical equipment	961,404	952,518
Hardware and farm tools	1,058,058	1,220,657
Oil station equipment	187,902	207,195
Miscellaneous	190,513	197,737
Total	51,711,593	53,707,325

Net margins available to patrons and their distribution for the fiscal years ended in 1962 and 1963 were:

Distribution of net margins	1962	1963
Cash dividends on capital stock	\$71,633	\$67,928
Patronage refunds paid in cash	--	274,674
Patronage refunds paid in capital stock	619,032	1,234,143
Additions to unallocated surplus	<u>15,447</u>	<u>167,647</u>
Total	706,112	1,744,392

In 1961-62, the association retired no capital stock originally issued in payment of patronage refunds under its revolving capital plan of financing. In 1962-63, it retired no capital stock, but it has now retired all revolving stock issued through 1946.

The financial condition of Midland as of August 31, 1962, and 1963, is shown in the following statement:

Item	1962	1963
Assets:		
Current assets	\$12,210,140	\$13,061,533
Fixed assets (net)	8,866,715	8,403,320
Other assets	8,676,443	9,674,355
Total	29,753,298	31,139,208
Liabilities and net worth:		
Current liabilities	7,186,648	6,677,178
Other liabilities	5,835,460	6,819,886
Net worth (capital and reserves)	<u>16,731,190</u>	<u>17,642,144</u>
Total	29,753,298	31,139,208

The net worth or member and patron equities of the association on August 31, 1963, consisted of the following items:

Item	Amount
Common stock and stock credits	\$14,508,796
Preferred stock	1,698,210
Surplus	<u>1,435,138</u>
Total	17,642,144

On August 31, 1963, Midland owned and operated the following principal facilities (buildings and equipment, by plants):

Facilities	Cost value	Depreciated value
Land--total and land improvements	\$419,500	\$362,899
Crude oil property	3,653,633	984,061
Refinery (complete)	8,985,335	3,369,812
General office, central warehouse, and oil blending plant	2,540,565	1,606,115
Other warehouses	2,406,504	1,528,503
Bulk petroleum plants	104,808	51,282
Other properties	878,965	500,648
Total	18,989,310	8,403,320

Investments in other production and operating facilities owned jointly with other regional cooperatives or allied companies were:

Facilities	Amount invested
Fertilizer, feed, soybean, and seed processing	\$3,889,993
Petroleum products terminal	1,443,824
Properties of National Cooperatives, Inc. (including milking-machine factory)	296,416
Other investments	3,384,063
Total	9,014,296

On August 31, 1963, Midland had 670 employees. Of these 269 were engaged in general and administrative activities, 219 in manufacturing and processing operations, and 182 in wholesale distribution including warehousing and transportation.

## The Farm Bureau Cooperative Association, Inc.

The Farm Bureau Cooperative Association, Inc., Columbus, Ohio, was organized in its present form on July 31, 1933. At the end of its operating year, December 31, 1963, it was serving 84 member associations with 210 distributing points in Ohio. These cooperative outlets served about 230,000 patrons. Volume of business with farmers represented some 83 percent of the total business of these associations.

In 1963, 41 of the county associations were under management agreements with the State association; of this number, 33 had financing agreements.

Membership in The Farm Bureau Cooperative Association, Inc., is obtained by purchasing a \$25 share of common stock and agreeing to the provisions of the bylaws. Each share of common stock has 1 vote. Preferred stock is used for financing purposes and carries no vote. Common stock of The Farm Bureau Cooperative Association is held by the county cooperatives and the Ohio Farm Bureau Federation.

The same board of 26 directors governs both the Ohio Farm Bureau Federation and The Farm Bureau Cooperative Association; they are elected by districts for staggered terms of 3 years.

The county cooperatives, in which any farmer is eligible for membership, are independent of the county Farm Bureaus.

The Farm Bureau Cooperative Association has four subsidiaries, but they are not consolidated in statements of the parent organization.

This regional cooperative distributed supplies at wholesale during the fiscal years ended December 31, 1962, and 1963, as follows:

Commodities	1962	1963
Feed	\$14,680,096	\$16,104,617
Fertilizer	8,789,213	9,220,551
Seed and seed potatoes	2,323,164	2,422,161
Petroleum products	12,122,047	12,201,993
Tires, tubes, and accessories	354,737	299,611
Stock equipment and hardware	1,238,337	1,157,011
Fence, roofing, and paint	2,326,060	2,045,098
Insecticides and fungicides	1,369,820	1,553,069
Electrical equipment and appliances	561,239	551,520
Miscellaneous <sup>1</sup>	868,198	812,717
Total	44,632,911	46,368,348

<sup>1</sup> Includes such items as antifreeze, animal health supplies, and equipment for handling petroleum.

The value of grain marketed through The Farm Bureau Cooperative Association, Inc., was \$38,437,145 in 1962 and \$46,528,828 in 1963.

Net margins available to patrons and shareholders and their distribution for 1962 and 1963 are shown at the top of the next page.



Distribution of net margins	1962	1963
Cash dividends on capital stock	\$628,663	\$656,083
Patronage refunds in:		
Cash	93,030	119,096
Securities	372,118	476,385
Additions to capital reserves	<u>147,360</u>	<u>226,566</u>
Total	1,241,171	1,478,130

In 1962, the association retired \$96,150 and in 1963, \$103,550 of securities originally issued in payment of patronage refunds under its revolving plan. As of December 31, 1963, it had retired all such stock on securities issued through 1947 and 75 percent of those issued in 1948.

Total net margins available to patrons and shareholders since organization in 1933 have been \$26,082,948. Of this amount, the association paid \$6,269,683 as cash dividends on capital stock, \$3,685,426 as cash patronage refunds, and \$13,854,203 as patronage refunds in securities, with the remaining \$2,273,636 retained for capital as reserves. The total amount of capital stock or other securities (representing patronage refunds) retired under the revolving capital plan has been \$5,250,400.

The financial condition of The Farm Bureau Cooperative Association, Inc., as of December 31, 1962, and 1963, is shown in the following statement:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$19,808,000	\$19,511,000
Fixed assets (net)	11,347,000	10,349,000
Other assets	<u>13,628,000</u>	<u>14,169,000</u>
Total	44,783,000	44,029,000
<b>Liabilities and net worth:</b>		
Current liabilities	7,354,000	5,475,000
Other liabilities	16,303,000	16,578,000
Net worth (capital and reserves)	<u>21,126,000</u>	<u>21,976,000</u>
Total	44,783,000	44,029,000

The net worth or shareholders and patrons' equities of the association on December 31, 1963, consisted of the items appearing at the top of the next page.

Item	Amount
First preferred stock	\$5,434,050
Class A common stock	18,475
Class B common stock	1,638,150
Class C common stock	4,327,500
Class C/L common stock	2,638,700
Certificates of ownership	4,732,596
Allocated operating capital reserve	2,752,605
General reserves	434,756
Total	21,976,832
These equity items may be reclassified as follows:	
Cash investment directly by shareholders	12,418,725
Patrons' reinvested savings	9,123,351
General reserves	434,756
Total	21,976,832

Approximately 43 percent of the total capital stock and certificates of ownership represents retained patronage refunds and the remaining 57 percent was sold to member associations and others.

Principal facilities (buildings and equipment, by plants) owned and operated by the association at the end of 1963 were:

Facilities	Number of plants or units	Cost value	Depreciated value
Terminal grain elevators	3	\$4,236,402	\$2,242,497
Feed mills	2	1,179,851	455,618
Fertilizer plants	3	2,253,440	502,140
Insecticide plant	1	17,705	1,298
Alfalfa plants	3	738,899	229,548
Seed plant	1	496,862	380,729
Wholesale farm supply warehouse	1	321,059	119,836
Transport trucks (dry and liquid)	30	733,452	280,531
Other facilities	--	8,822,247	6,137,245
Total		18,799,917	10,349,442

The Farm Bureau Cooperative Association at the end of 1963 also had investments of \$3,064,419 in federations of regional cooperatives that owned manufacturing and wholesaling facilities. In addition, it had \$11,104,837 invested in subsidiaries, county

Farm Bureau associations, banks for cooperatives, and other companies and organizations.

On December 31, 1963, The Farm Bureau Cooperative Association, Inc., and its subsidiaries had 645 employees. Of these, 237 were engaged in general and administrative activities, 191 in manufacturing and processing operations, 117 in wholesale distribution including warehousing and transportation, 59 in retail distribution, and 41 in marketing farm products.

Note: The material on this association, when given, was based in whole or in part on estimates believed to be accurate for purposes of this report.

## Western Farmers Association

Western Farmers Association, Seattle, Wash., was organized in February 1917, as the Washington Cooperative Egg and Poultry Association. Its name was changed in February 1945 to Washington Co-Operative Farmers Association when it broadened its membership requirements and scope of services. Its name was changed again in February 1960 to Western Farmers Association, inasmuch as it serves members in Northwestern States.

The association is a centralized cooperative with farmers directly holding membership in it. During 1963, it served 46,038 farmer-members located throughout Washington and northwestern Oregon. Approximately 100 percent of its production supply or purchasing business was with farmer-patrons.

Anyone engaged in producing farm products in commercial quantities may become a member by paying a \$2.50 membership fee and \$1 the first year for a subscription to Western Farmer, the association's membership publication. Those wishing to market products through the association must sign marketing agreements covering the specified commodities marketed. Each member has only 1 vote. The association has 16 directors elected by districts for staggered terms of 3 years.

Patrons are served through 47 branch stations and distributors located throughout Washington and 8 in Oregon, in addition to the facilities at headquarters in Seattle. All stations handle poultry and poultry products, feed, and general farm supplies. Only 5 have petroleum bulk plants, but in the areas of the other branch stations, oil products are delivered to farmers by the association's tank trucks direct from its suppliers' bulk plants. LP gas storage tanks are located at 5 branches, from which distribution is made to members.

Western Farmers Association is an integrated organization, which processes a large number of the products it markets and the supplies it distributes to members.

The value of supplies and equipment distributed to patrons during the association's fiscal years ended December 31, 1962, and 1963, appears at the top of the next page.

Commodities	1962	1963
Feed	\$27,859,901	\$27,242,622
Seed	832,100	828,515
Fertilizer	4,444,253	4,385,309
Petroleum	10,699,342	10,419,220
Other farm supplies and equipment <sup>1</sup>	<u>3,314,255</u>	<u>3,276,328</u>
Total	47,149,851	46,151,994

<sup>1</sup>Of the "other farm supplies and equipment," poultry and general equipment represented about 41 percent, building materials some 14 percent, and miscellaneous items the remaining 45 percent.

The association sold 354,220 tons of feed in 1962, of which 253,203 tons were delivered in bulk by 36 trucks. Volume in 1963 was 345,176 tons, with 258,657 tons of this quantity delivered in bulk by 35 trucks.

The association was originally formed as an egg and poultry marketing association, and this still is one of its major functions. The value of products it marketed for patrons in 1962 and 1963 was as follows:

Products	1962	1963
Egg and egg products	\$9,820,621	\$9,608,019
Dressed poultry	7,879,997	7,448,483
Dressed turkeys	2,228,906	1,782,298
Canned poultry and turkey	2,777,314	2,653,082
Seed	626,216	622,607
Edible beans	524,126	408,159
Grain	<u>2,832,878</u>	<u>5,402,663</u>
Total	26,690,058	27,925,311

Net margins available to patrons and their distribution for the 2 years under discussion follow:

Distribution of net margins	1962	1963
Interest on "finance fund" certificates	\$923,620	\$1,005,529
Extra payments on marketing and patronage refunds on purchasing issued as "finance fund" certificates and cash	3,827,836	3,349,979
Additions to rotating reserve fund	<u>253,791</u>	<u>255,669</u>
Total	5,005,247	4,611,177

The association derived about 94 percent of these net margins in 1962 and 95 percent in 1963 from supply operations. The remaining percentages were realized from marketing operations.

This cooperative declares separate rates of extra payments on a patronage basis in its egg, fowl, fryer, turkey, seed, bean, and grain marketing departments and a separate patronage refund rate in its feed, seed, fertilizer, and farm supply departments.

On January 2, 1962, the association retired its 1956 certificates in the amount of \$2,520,063. On January 2, 1963, it retired its 1957 certificates in the amount of \$2,500,027. It also retired rotating reserves totaling \$388,211 in 1962 and \$359,283 in 1963. The association has usually revolved both the finance fund certificates and the rotating reserves on a 6-year basis.

The financial condition of this association on December 31, 1962, and 1963, is shown in the following condensed balance sheet:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$16,881,423	\$17,240,283
Fixed assets (net)	11,699,150	12,281,050
Other assets	<u>1,535,241</u>	<u>1,551,959</u>
Total	30,115,814	31,073,292
<b>Liabilities and net worth:</b>		
Current liabilities	3,107,200	3,300,595
Net worth (finance fund, reserve funds, and undistributed operating margins)	<u>27,008,614</u>	<u>27,772,697</u>
Total	30,115,814	31,073,292

The net worth or member and patrons' equities of the association on December 31, 1963, consisted of the following items:

Item	Amount
Finance funds	\$20,607,687
Reserves from prior years--unallocated	3,609,996
Undistributed operating margins--current year	<u>3,555,014</u>
Total	27,772,697



On December 31, 1963, approximately 90 percent of the association's net worth was represented by retained net operating margins or savings and the remaining 10 percent by regular capital subscriptions on farm products marketed.

At the close of 1963, principal facilities owned by the association were:

Facilities	Cost value	Depreciated value
Land	\$936,458	\$936,458
Machinery, equipment, and furniture	6,585,757	3,026,328
Buildings and improvements to leased properties	11,067,518	7,415,199
Trucks and automobiles	2,678,033	903,065
Total	21,267,766	12,281,050

Principal facilities consisted of 4 feed mills, 4 central egg handling facilities (including drying equipment), 1 poultry canning facility, and 4 poultry processing plants.

The association also had \$1,466,585 invested in federations of regional cooperatives that operated various manufacturing and wholesaling facilities.

On December 31, 1963, the association had 1,270 employees engaged in general administrative activities, manufacturing and processing, wholesale distribution, marketing farm products, and purchasing farm supplies for producer members.

## Pacific Growers, Inc.

Pacific Growers, San Leandro, Calif., was formed by merging Nulaid Farmers Association and Hayward Poultry Producers Association on September 28, 1963. Nulaid Farmers Association, San Leandro, Calif., originally was incorporated as Poultry Producers of Central California in October 1916. At first its sole purpose was marketing eggs, but in 1926 it began manufacturing and distributing feeds for poultry, dairy, and other types of livestock. Later it began marketing poultry.

On September 28, 1963, Nulaid and Hayward Poultry Producers Association, Hayward, Calif., merged. The Hayward organization was formed in 1908 and its major service for over 50 years was feed manufacturing. In recent years, it expanded its service area through relocation and mergers and helped establish an egg marketing program for its members.

This writeup, therefore, contains data on Nulaid's operations in 1962 and the first 9 months of 1963, and information on the membership, organizational, and general aspects of Pacific Growers as of September 30, 1963.

Pacific Growers is a centralized cooperative with about 3,300 members located in the central coast and central valley counties of California north of Monterey and Merced Counties. On December 28, 1963, it was providing services from its 6 feed mills, 4 feed and farm supply distribution stores, 4 agencies, and 10 egg-processing plants. In addition, 16 members operated ranch egg-processing plants.

According to the bylaws, membership in this association is open to any agricultural producer or cooperative poultry marketing association who will use Pacific Growers' services for over \$1,000 per year. A membership fee of \$10 must be paid, and each member may contribute capital in \$100 preferred investment certificates. A marketing agreement is not a condition of membership.

Each member has 1 vote by reason of membership and 1 vote by being a signator to a marketing agreement.<sup>3</sup> Pacific Growers has 12 directors, of whom 10 are agricultural producers representing dairy, turkey, and poultry industries. They are elected on a district basis for staggered terms of 2 years. The other 2 are public directors appointed by the board of directors.

Under the marketing agreement, the member agrees to market through the association all the eggs or poultry he produces other than those sold to hatcheries (eggs) or retained for home or farm use. This agreement provides that eggs and poultry be pooled and that members receive weekly advance payments for eggs based upon volume, quality, and grade delivered to the association during the preceding week. The agreement requires a 90-day termination notice after a 1-year term and an estimate of the number of cases per week the member agrees to ship and the association agrees to market. The member must keep the product up to a certain grade specification and receive permission from the association to expand production.

Pacific Growers has the following affiliates: (1) Henny Penny Egg Ranches, Inc. Los Angeles, an egg marketing agency for Southern California; (2) Sierra Foods, Inc., (3) Producers and Retailers Cooperative (PARCO), which is an egg marketing agency in the San Francisco area owned one-half by Pacific Growers and one-half by several large retail stores; and (4) Pacific Growers Federal Credit Union, owned by Pacific Growers employees and members.

Volume of feed and supplies distributed to patrons by Nulaid Farmers Association during the fiscal year ended December 31, 1962, and during the 9 months ended September 30, 1963 was as follows:

Commodities	1962	1963 <sup>1</sup> (9 mos.)
Feed	\$32,088,708	\$19,000,000
Petroleum products	1,616,505	1,060,000
Farm supplies and equipment <sup>2</sup>	1,231,133	400,000
Total	34,936,346	20,460,000

<sup>1</sup>Approximate volume.

<sup>2</sup>Includes building materials, poultry equipment, pesticides, and miscellaneous supplies.

<sup>3</sup> Nulaid Farmers Association allowed one vote per member plus one vote for each \$500 of business or patronage with a limit of 1 percent of total voting power per member.

In 1963, Nulaid sold about 370,000 tons of feed. Volume in 1964 was at the rate of 400,000 tons a year with about 95 percent of it in bulk.

In addition to feeds and feedstuffs, members may order farm supplies through the association. Principal supply items include aluminum roofing and siding, fencing materials, poultry house equipment, tires and batteries, drugs, and insecticides. Petroleum products of a major oil company are distributed on a cooperative basis to members of the association by special agreement.

Pacific Growers has two types of egg marketing services: First, it operates 10 egg processing plants and directly markets eggs for members. (Nulaid's egg and poultry sales in 1962 amounted to \$33,703,906, and such sales for the 9 months ending September 30, 1963 totaled \$23,875,000).

Second, some members market through Producers and Retailers Cooperative, San Leandro, referred to as PARCO. These producers agree to voluntarily market eggs at regular USDA market producer prices, and the retail stores who are members of PARCO agree to purchase the eggs at regular USDA wholesale market prices. At the end of the year, net margins are split evenly between producers and retailers.

All deferred payments to egg shippers and net margins of the feed and supply department of Nulaid were allocated to patrons as patronage refunds. The amount of net margins--after paying interest on capital fund certificates--for 1962 and 1963 was as follows:

Distribution of net margins <sup>1</sup>	1962	1963 (9 mos.)
Feed patronage refunds in cash	--	\$168,615
Feed capital-fund certificates	<u>\$4,160,000</u>	<u>674,459</u>
Total	4,160,000	843,074

<sup>1</sup> There were no deferred payments on eggs credited to the egg revolving fund and the egg reserve for contingencies.

The member capital of Pacific Growers consists of the following: (1) Membership fees at \$10 each, (2) preferred investment certificates at \$100 each and bearing 6-1/2 percent interest; (3) capital fund certificates representing net margins from marketing and purchasing operations and retains from marketing activities; (4) feed revolving fund allocations (to former Nulaid members) and notifications of revolving fund credits (to

former Hayward members); and (5) exchange certificates bearing 6 percent interest. These were issued for equities of Nulaid and Hayward members at the time of merger.<sup>4</sup>

The capital fund certificates are issued in series depending on origin, and will be revolved according to the capital needs of each activity--marketing and purchasing. Interest at 6 percent may be set by the directors at the time of the first issue.

Nulaid retired in cash, revolving fund credits totaling \$206,000 in 1960 and \$799,000 in 1961, but data was not obtained on retirements in 1962 and 1963.

During the 18 years, 1946 through 1963, Nulaid handled a total business volume of \$988 million. Net savings totaled \$46,879,000, of which about \$42,303,000 were feed and supply net margins, \$4,279,000 were egg department margins, and \$297,000 were from other income.

The financial condition of Nulaid Farmers Association as of September 28, 1963 is indicated in the following condensed balance sheet:

Item	Nulaid Farmers
	Sept. 28, 1963
<b>Assets:</b>	
Current assets	\$11,380,000
Fixed assets (net)	8,725,000
Other assets	1,925,000
Total	22,050,000
<b>Liabilities &amp; net worth:</b>	
Current liabilities	14,650,000
Deferred liabilities	1,280,000
Net worth	6,120,000
Total	22,050,000

<sup>4</sup>Nulaid equities exchanged were egg, feed, and poultry capital fund certificates; general capital fund certificates; and capital fund certificates, Series E, F, P&G. Hayward equities exchanged were capital revolving fund certificates and investment fund certificates.



Facilities of Nulaid on December 31, 1961, (the latest year data were obtained) consisted of the following:

Item	Cost value	Depreciated value
Land	\$521,000	\$521,000
Buildings and leasehold improvements	5,685,000	4,228,000
Feed department equipment	3,405,000	1,454,000
Egg department equipment	1,118,000	583,000
Autos and trucks	2,203,000	1,083,000
Other and facilities under construction	<u>987,000</u>	<u>632,000</u>
Total	13,919,000	8,501,000

During 1963, Nulaid Farmers Association employed an average of about 700 men and women. Of these employees, 250 were engaged in administrative and general activities; and the remaining 450 in marketing and feed and supply operations.

## M.F.A. Milling Company

M.F.A. Milling Company, Springfield, Mo., was organized in 1923 and reorganized on its present basis in 1929. On June 30, 1963, it was serving 132 local M.F.A. farmer cooperative exchanges in Missouri which had approximately 50,000 farmer-members. In addition, it was supplying feed to 125 local cooperatives in Kansas, Arkansas, Mississippi, Louisiana, Oklahoma, and Texas, which had about 25,000 farmer-members.

M.F.A. Milling Company, the largest regional supply association affiliated with the Missouri Farmers Association, is owned by local M.F.A. exchanges or cooperatives in southern Missouri. Each member cooperative has only 1 vote. A local cooperative may obtain membership in the M.F.A. Milling Company by distributing M.F.A. feeds.

The local cooperatives, in turn, are owned by the M.F.A. members they serve. A farmer may obtain membership in a local M.F.A. cooperative by making \$25 worth of purchases from it. The M.F.A. Milling Company is organized on a nonstock, nonprofit plan and is financed by patrons' equities.

The local M.F.A. exchanges served by the M.F.A. Milling Company constitute its Class B membership. They elect one-half of its 12-man board of directors, by districts, for 1-year terms. The other half of the board is named for 1-year terms by the State



board of directors of the Missouri Farmers Association, which constitutes the Class A membership of the milling company. No local cooperatives are under management or supervision agreements with the M.F.A. Milling Company.

The M.F.A. Milling Company distributed supplies at wholesale during the fiscal years ended June 30, 1962, and 1963, as follows:

Commodities	1962	1963
Feed	\$32,696,312	\$32,971,999
Seed	<u>1,549,145</u>	<u>1,623,024</u>
Total	34,245,457	34,595,023

Net margins available to patrons and their distribution for the 1962 and 1963 fiscal years follow:

Distribution of net margins	1962	1963
Cash patronage dividends paid on 1961-62 and 1962-63 business	\$1,055,829	\$718,892
Additions to member-patron equities of patrons in 1961-62 and 1962-63	<u>--</u>	<u>(1)</u>
Total	1,055,829	718,892

<sup>1</sup> Unknown at time of submitting the report.

M.F.A. Milling Company operated on a 5-year revolving capital plan for many years with distribution of net savings and revolving of capital at the discretion of the board of directors. Since 1953, however, it has paid cash patronage refunds equal to each year's net savings, except in fiscal 1958 when about \$300,000 was added to member-patron equities, and in fiscal 1963 when patronage refunds were paid @15¢ per cwt. based on current purchases.

Total net savings since organizing on June 30, 1929, have been \$23,799,429.22. Of this amount, the company paid \$19,755,994.95 as cash patronage refunds and placed the remaining \$4,043,434.27 in member-patrons' equities.

The following condensed statement shows the financial condition of M.F.A. Milling Company on June 30, 1962, and 1963:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$6,289,041	\$5,054,776
Fixed assets (net)	2,153,238	2,566,178
Other assets	<u>262,993</u>	<u>252,500</u>
Total	8,705,272	7,873,454
<b>Liabilities and net worth:</b>		
Current liabilities	3,105,851	3,106,474
Other liabilities	512,000	16,702
Net worth	<u>5,087,421</u>	<u>4,750,278</u>
Total	8,705,272	7,873,454

The net worth of the company on June 30, 1963, consisted of the following:

Item	Amount
Surplus	\$31,386
Member-patron equities	4,000,000
Net savings for 1962-63	<u>718,892</u>
Total	4,750,278

On June 30, 1963, operating facilities (buildings and equipment, by plants) of the M.F.A. Milling Company consisted of the following:

Facilities	Number of plants or units	Cost value	Depreciated value
Land	--	\$168,440	\$168,440
Feed mill and seed plant buildings, machinery, and equipment	2	<u>6,275,803</u>	<u>2,397,738</u>
Total		6,444,243	2,566,178

M.F.A. Milling Company, on June 30, 1963, had 385 employees--211 in Springfield and 174 in Aurora. Of these 38 were engaged in general administrative activities, 337 in manufacturing and processing operations, and 10 in wholesale distribution and field service work.

# Tennessee Farmers Cooperative

Tennessee Farmers Cooperative, La Vergne, Tenn., referred to as TFC, was organized on September 27, 1945. At the end of 1963, it was serving 95 county cooperatives in Tennessee, with 87 of them members. These associations were serving about 125,000 patrons, 90 percent of them farmers. Five of the locals were under management and financing arrangements with the State association.

Membership is obtained by purchasing a \$100 share of common stock and agreeing to provisions of the bylaws. Each member association has only 1 vote. The State association has seven directors elected by districts for staggered terms of 3 years and one public director elected by the seven.

Tennessee Farmers Cooperative is independent of the Tennessee Farm Bureau Federation, but a director may serve on the board of directors of both organizations. The same relationship exists among the county cooperatives and county farm bureaus.

In April 1961, TFC acquired a grain elevator and for the first time entered marketing. Volume of business in marketing amounted to \$1,453,709 in 1962 and to \$1,432,996 in 1963, principally in wheat and soybeans.

TFC distributed supplies at wholesale during fiscal years ended December 31, 1962, and 1963, as follows:

Commodities	1962	1963
Feed	\$7,156,453	\$8,671,649
Fertilizer	8,812,566	10,172,959
Seed	3,397,956	3,611,159
Building supplies and hardware	3,106,965	3,220,701
Petroleum products and tires	4,477,064	4,432,533
Agricultural chemicals	1,410,228	1,261,855
Total	28,361,232	31,370,856

Net margins available to patrons and their distribution in 1962 and 1963 were:

Distributions of net margins	1962	1963
Cash dividends on capital stock	\$322,568	\$380,102
Patronage refunds paid in preferred stock	532,280	371,800
Additions to allocated reserves	136,075	134,985
Cash patronage refund	--	122,950
Total	990,923	1,009,837

In addition to net margins available to patrons at the end of 1962, the association paid out \$901,740 in cash during the year to the county cooperatives on special performance programs. The amount of such payments in 1963 was \$925,000.

TFC has operated on a revolving capital plan, which has not been under a firm advance commitment. Allocated reserves are now revolved on a 5-year basis and preferred stock on a 10-year basis.

In 1962, the association paid back \$83,820 of allocated reserves for 1954, and recalled \$169,520 of preferred stock issued in 1950. In 1963, the association paid back \$83,810 of allocated reserves for 1955, 1956, and 1957; it recalled all preferred stock issued in 1951, which amounted to \$119,470. Holders of 1950 and 1951 preferred stock were given the option of reinvesting in 1961 and 1963 preferred stock, respectively; and substantial amounts were so reinvested.

Total net margins available for patrons since organization in 1945 have been \$7,930,660. Of this amount, the association paid \$1,917,509 as cash dividends on capital stock, \$179,103 in cash patronage refunds, and \$4,543,940 as patronage refunds in capital stock. It retained \$1,290,108 as patrons' allocated reserves. The cooperative has retired member equities totaling \$739,577 since organizing. In addition, it has paid a considerable amount to local cooperatives for special performance under various programs.

The financial condition of TFC on December 31, 1962, and 1963, is shown in the following condensed statement:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$4,652,855	\$7,249,360
Fixed assets (net)	3,901,784	3,769,810
Other assets	<u>1,979,862</u>	<u>2,256,884</u>
Total	10,534,501	13,276,054
<b>Liabilities and net worth:</b>		
Current liabilities	2,437,583	4,894,215
Other liabilities	1,554,340	1,039,999
Net worth or member and patron equities	<u>6,542,578</u>	<u>7,341,840</u>
Total	10,534,501	13,276,054

The net worth or member and patron equities of the association on December 31, 1963, consisted of the items shown at the top of the next page.

Item	Amount
Preferred stock @ \$10 par value	\$6,387,660
Common stock @ \$100 par value	8,700
Patronage refunds payable in preferred stock	371,800
Patrons' allocated reserves	509,533
Reserve for contingencies	64,147
Total	7,341,840

On December 31, 1963, about 68 percent of the association's preferred stock represented patronage refunds and the remaining 32 percent had been sold to member associations and others.

The operating facilities (buildings and equipment, by plants) owned by TFC on December 31, 1963, were:

Facilities	Number of plants or units	Cost value	Depreciated value
Land (acres)	207	\$212,083	\$212,083
Fertilizer plants	4	1,256,975	559,478
Seed plants	3	283,656	136,450
Grain elevators	3	410,664	350,548
Warehouses	3	627,007	470,925
Automotive equipment	15	146,651	35,022
Feed mills	2	2,230,087	1,588,478
Tire recapping plant	1	112,926	65,689
Office building	1	387,770	274,405
Other	--	99,524	76,732
Total	--	5,767,343	3,769,810

TFC also had \$2,090,810 invested in federations of regional cooperatives that operated manufacturing and wholesaling facilities.

As of December 31, 1963, the cooperative had 320 employees. Of this number, 65 were engaged in general and administrative activities, 183 in manufacturing or processing supplies, and 72 in wholesale distribution including warehousing and transportation.

## Pacific Supply Cooperative

Pacific Supply Cooperative, commonly known as P.S.C. or Pacific Cooperatives, Portland, Ore., was organized December 10, 1933. At the close of its operating year, June 30, 1963, it had 120 member associations located mainly in Oregon, Washington,



and Idaho, with a few in northern California, western Montana, and Utah. Patrons of these associations numbered about 65,000, and 95 percent were farmers. It also served 83 nonmember associations with perhaps 15,000 patrons. Of the local cooperatives served, 14 were under management or supervision agreements with P.S.C.

Membership in P.S.C. is acquired by purchasing 10 shares of Class A common stock at \$100 a share and agreeing to the provisions of the bylaws. In addition, each member subscribes to additional shares annually in amounts not exceeding 20 percent of annual net margins to each member but shall not be required to own more than 500 shares of such stock. Each member association has only 1 vote. P.S.C. has 7 directors elected by districts for staggered terms of 2 years.

P.S.C. distributed supplies at wholesale during the fiscal years ended June 30, 1962 and 1963, as follows:

Commodities	1962	1963
Feed and grain wholesaled	\$1,734,421	\$2,319,325
Fertilizer	7,445,153	8,918,834
Seed wholesaled	478,857	1,112,581
Gas, oil, grease, and fuel oil <sup>1</sup>	10,635,637	11,380,278
Tires, tubes, and other automotive supplies	1,249,249	1,427,349
Insecticides and chemicals	1,197,648	1,468,429
Hardware <sup>2</sup>	1,668,728	2,102,843
Farm mechanical items <sup>3</sup>	906,389	1,051,509
Miscellaneous supplies	21,574	16,044
Service revenue	237,879	190,156
Total	25,575,535	29,987,348

<sup>1</sup> Includes revenue from transports and repair shop totaling \$789,797 in 1962 and \$721,086 in 1963.

<sup>2</sup> Includes lumber, paint, steel products, and other maintenance items.

<sup>3</sup> Includes farm machinery and parts representing about 10 percent, and general farm equipment, home appliances, and irrigation equipment representing 90 percent.

Small amounts of farm supplies also were retailed from 1 petroleum plant and 4 seed and grain plants operated by P.S.C.

P.S.C. also marketed farm products as follows:

Commodities	1962	1963
Seed marketed	\$2,787,984	\$2,572,808
Grain marketed	2,523,953	1,720,594
Total	5,311,937	4,293,402

Total net margins available to patrons and their distribution for fiscal years 1962 and 1963 were:

Distribution of net margins (before payment of dividends on stock and interest on other certificates)	1962	1963
Cash dividends on preferred stock and interest on capital reserve and refinery revolving certificates	\$160,274	\$159,475
Patronage refunds paid in:		
Cash or equivalent	249	--
Capital reserve certificates	294,743	<sup>1</sup> 525,178
Common stocks and credits	50,659	<sup>1</sup> 92,679
Additions to general reserves	--	--
Total	505,925	777,332

<sup>1</sup> Approximate.

Nearly all net margins for both years were derived from supply operations.

In its 1961-62 fiscal year, the association retired \$206,204 of the capital reserve certificates; originally one-half of 1946 certificates were issued as patronage refunds. No retirements were made in the 1962-63 year. On October 10, 1964, the call for the retirement of the full year of 1947 certificates was issued. These totaled \$534,409. Under its revolving capital plan, the association now has retired all such certificates through 1946.

Total net savings available to patrons, before dividends on capital stock and interest on capital reserve certificates, since organizing in 1933, and through June 30, 1963, have been \$11,478,839. They have been distributed as follows: Cash dividends on capital stock and interest on capital reserve certificates, \$1,414,827; cash patronage refunds and capital reserve certificates, \$7,473,648; patronage refunds issued as common capital stock and stock credits, \$1,390,917; general reserves, \$581,590; and undivided margins, \$617,857.

A total of \$2,451,204 of cash refunds and capital reserve certificates have been paid out or retired, thus leaving \$5,022,444 of such certificates outstanding and to be revolved.

The financial condition of P.S.C. on June 30, 1962, and 1963, was:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$6,833,181	\$8,258,589
Fixed assets (net)	4,173,545	4,174,858
Other assets and investments	<u>3,169,866</u>	<u>2,989,321</u>
Total	14,176,592	15,422,768
<b>Liabilities and net worth:</b>		
Current liabilities	3,218,519	4,132,446
Other liabilities	1,271,132	1,115,777
Net worth or member and patron equities	<u>9,686,941</u>	<u>10,174,545</u>
Total	14,176,592	15,422,768

The member equity (capital account) on June 30, 1963 consisted of the following:

Item	Amount
Preferred stock	\$2,263,075
Common stock--class A	1,162,500
Common stock--class B	179,300
Common stock credits	15,605
Capital reserve certificates:	
2 percent converted (no maturity; issued 1946-48)	850,153
New series (no dividends; issued 1949-58 no maturity)	4,172,291
Refinery revolving fund certificates	332,174
General reserve--allocated	581,590
Undivided margins--for current year	617,857
Total	10,174,545

On June 30, 1963, P.S.C. owned and operated the following principal facilities (buildings and equipment, by plants):

Facilities	Number of plants or units	Cost value	Depreciated value
Land	--	\$313,150	\$313,150
Wholesale service centers	4	657,858	263,878
Wholesale fertilizer warehouses	5	1,025,105	217,545
Liquid fertilizer plants (local)	48	614,846	50,237
Crude oil properties and equipment (leased)	--	1,160,197	532,494
Highway transports	20	440,264	52,122
Office	1	115,604	105,878
Petroleum tank farm and related facilities	--	1,552,113	1,250,079
Other facilities	--	1,473,288	1,226,092
Construction in progress	--	163,383	163,383
Total		7,515,808	4,174,858

The association also has an investment of \$606,724 in federations of regional cooperatives that operated manufacturing and wholesaling facilities.

On June 30, 1963, P.S.C. had 243 employees. Of these 75 were engaged in general administrative activities, 16 in manufacturing and processing operations, 99 in whole-sale distribution, 3 in marketing farm products, and 50 in retail distribution.

# Farmers Elevator Service Company, Inc.

The Farmers Elevator Service Company, Inc., commonly known as Felco, Fort Dodge, Iowa, was organized as a wholesale supply regional cooperative in 1926. It had operated 5 years before this as an informational and educational association. At the close of its operating year, September 30, 1963, it had 411 local member associations located mainly in Iowa, with some in Minnesota, South Dakota, and Illinois. Patrons of these associations number approximately 160,000 farmers.

Only farmer-owned cooperatives can qualify as members of Felco, and all business is done with them. No individual farmers are members of Felco. Membership is obtained by purchase of one \$100 share of common voting stock and agreeing to the provisions of the bylaws. Each member association has only 1 vote. Felco has no management or financing agreements with member companies.

Felco has 10 directors elected for 3-year terms from 10 districts. In addition, Felco has three advisory directors who are appointed annually by a sister organization, Farmers Grain Dealers Association of Iowa, Des Moines. In turn, Felco annually appoints three directors to sit as advisory members on the board of Farmers Grain Dealers Association.

Felco distributes feed, feed ingredients, fertilizer, seed, farm chemicals, petroleum, and miscellaneous production supplies and equipment. Felco serves as a central manufacturer of Felco livestock feeds for member companies with central plants located at Fort Dodge, Mason City, and Clarence, Iowa. Several other warehouse locations are also maintained for distribution of farm supply items.

Value of supplies distributed at wholesale by Felco during the fiscal years ended September 30, 1962, and 1963, was:

Commodities	1962	1963
Feeds and ingredients	\$16,008,930	\$18,314,049
Seeds	1,783,726	1,900,934
Fertilizer	5,198,718	5,499,491
Farm chemicals	280,065	310,537
Other supplies	3,209,856	3,504,628
Total	26,481,295	29,529,639

Net savings for the 2 years under consideration were distributed as shown at the top of the next page.

Distribution of net savings	1962	1963
Feed volume price adjustments paid in cash	\$79,816	\$89,120
Allocated reserve (10 percent of remaining savings)	101,739	101,737
Cash patronage refunds (20 percent of total refunds)	183,130	182,415
Allocated patronage refunds (80 percent of total refunds)	732,520	731,836
Cash dividends on capital stock	19,209	41,233
Income taxes	7,905	--
Total	1,124,319	1,146,341

Felco also made cash retirements of revolving capital in the last 2 years. In 1962, it retired all of its 1956 and 1957 patronage refund allocations, which totaled \$383,145. In 1963, it retired 20 percent of the 1958 patronage refund allocations, which totaled \$104,761. Thus, total cash distributions to members--consisting of feed price adjustments, dividends, refunds, and retirements of revolving capital--amounted to \$665,300 in 1962 and to \$462,881 in 1963.

The financial condition of Felco as of September 30, 1962, and 1963, is shown by the following schedule:

Item	1962	1963
Assets:		
Current assets	\$2,873,204	\$3,744,401
Fixed assets (net)	1,467,061	1,848,303
Investments	234,943	240,368
Other assets	34,450	50,068
Total	4,609,658	5,883,140
Liabilities and members' equities:		
Current liabilities	380,585	1,063,079
Long-term liabilities	438,800	466,478
Members' equity or net worth	3,790,273	4,353,583
Total	4,609,658	5,883,140

The net worth or members' equities of the association on September 30, 1963, consisted of the following items:

Item	Amount
Capital stock	\$1,336,189
Capital stock credits	1,151
Allocated patronage refunds	2,927,684
Paid-in surplus	88,559
Total	4,353,583



Principal facilities (building and equipment, by plants) owned by Felco on September 30, 1963 were as follows:

Facilities	Number of plants or units	Cost value	Depreciated value
Land	--	\$98,199	\$98,199
Feed mills	3	1,647,956	936,122
Warehouses	4	633,553	367,776
General office	1	319,491	290,301
Autos and trucks	--	71,722	47,330
Other	--	146,341	108,575
Total		2,947,262	1,848,303

Felco also had investments and patronage refund credits in other regional cooperatives totaling \$240,318 on September 30, 1963.

At the close of the 1963 fiscal year, Felco had approximately 160 employees. Of these, 47 were engaged in general and administrative duties; 37 in manufacturing operations; and 76 in wholesale distribution, including warehousing and transportation.

## Pennsylvania Farm Bureau Cooperative Association

Pennsylvania Farm Bureau Cooperative Association (PFBCA), Harrisburg, Pa., was organized in 1934. At the close of 1963, it was serving 33 member associations operating on a countrywide basis, with 70,700 patrons, 93 percent of them farmers. Of the county associations 19 were under management of the State association.

Supplies also were distributed by 9 retail stores and 20 private dealer-agents of the Farm Bureau Cooperative Distribution Association, Harrisburg, Pa., operating over much of the State. During 1963, it had 9,500 patrons, approximately 93 percent of them farmers. The total service area of the State association comprised 53 counties in Pennsylvania.

Membership in PFBCA is limited to local agricultural cooperatives and the Farm Bureau Cooperative Distribution Association and is obtained by acquiring a \$25 share of common stock and agreeing to comply with the bylaws. Each association has only 1 vote. The association has 33 directors, 1 from each of its member associations, elected for staggered terms of 3 years. In the county associations, any farmer may obtain membership by acquiring a share of stock and agreeing to comply with the bylaws.

The Pennsylvania Farm Bureau Cooperative Association is independent of the Pennsylvania Farmers Association, an affiliate of the American Farm Bureau Federation. Likewise, member county cooperatives of PFBCA are independent of the county units of the Pennsylvania Farmers Association.

PFBCA distributed supplies at wholesale for the fiscal years ended December 31, 1962, and 1963, as follows:

Commodities	1962	1963
Feed	\$9,123,717	\$10,308,590
Fertilizer	3,685,251	3,773,605
Seed	1,172,588	1,273,914
Petroleum products	8,017,310	8,501,974
Tires, tubes, and accessories	643,177	576,141
Farm equipment (other than machinery)	985,663	867,666
Steel products	779,205	781,567
Lumber, paint, and maintenance equipment	263,338	536,302
Pesticides	785,678	767,162
Electrical equipment and appliances	135,529	155,296
Twine	225,080	336,984
Chicks, turkeys, and broilers	811,675	1,019,082
Other (feeder pigs and medicinals)	90,108	57,388
Total	26,718,319	28,955,671

The value of grain, hogs, and eggs marketed by the association was \$505,961 in 1962 and \$839,408 in 1963.

Net margins available to patrons and their distribution during the 2 years under consideration follow:

Distribution of net margins	1962	1963
Cash dividends on capital stock	\$121,981	\$126,814
Patronage refunds in:		
Revolving fund certificates	--	78,329
Capital stock	--	--
Cash	255,481	19,582
Additions to capital reserves	28,536	10,964
Total	405,998	235,689

Approximately 100 percent of the net margins in 1962 and 1963 were derived from supply operations.

A local cooperative's investment in PFBCA is calculated as a percentage of the current purchases. If its investment in common and preferred stock and noninterest-bearing certificates is more than the calculated share, the local receives all its patronage refund in cash. If less, the refund is paid in PFBCA certificates to bring the investment to the required amount.

Total net margins available to patrons since organization in 1934 have been \$9,515,348. Of this amount, \$2,228,989 was paid as cash dividends on capital stock; \$1,614,599 was paid currently as patronage refunds in cash; \$3,316,280 was paid as patronage refunds in capital stock; \$78,329 was paid as patronage refunds in revolving fund certificates; and the remaining \$2,277,151 was retained as capital reserves.

The financial condition of PFBCA on December 31, 1962, and 1963, was:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$4,178,130	\$5,370,033
Fixed assets (net)	1,812,489	2,174,920
Other assets	<u>4,885,015</u>	<u>4,906,990</u>
Total	10,875,634	12,451,943
<b>Liabilities and net worth:</b>		
Current liabilities	2,271,515	2,768,643
Other liabilities	1,548,715	2,343,885
Net worth (capital and reserves)	<u>7,055,404</u>	<u>7,339,415</u>
Total	10,875,634	12,451,943

The net worth or member and patron equities on December 31, 1963, consisted of the following items:

Item	Amount
Preferred stock	\$2,660,350
Patronage refund payable in revolving fund certificates	78,329
Common stock	2,746,875
Revolving fund certificates	158,068
Reserves--allocated	<u>1,695,793</u>
Total	7,339,415

The major portion of the outstanding common stock is represented by retained patronage refunds, with the minor portion being purchased. All of the preferred stock outstanding has been purchased.

The association held investments of \$4,853,455 in federated regional and national cooperatives and allied companies, which owned various manufacturing and wholesaling facilities.

On December 31, 1963, the principal operating facilities of PFBCA consisted of the items listed in the table which appears at the top of the next page.

Facilities <sup>1</sup>	Number of plants or units	Cost value	Depreciated value
Land	--	\$199,402	\$184,715
Feed mill and seed cleaning plant	1	972,754	406,435
Uniontown mill	1	42,390	40,871
Bulk feed terminal	1	72,089	53,971
Wholesale farm supply warehouses	2	271,856	79,942
Office building	1	536,204	233,689
Transport trucks and trailers	50	528,922	207,938
Hatcheries	2	203,509	81,620
Poultry demonstration farm	1	<sup>2</sup> 120,327	41,324
Feed evaluation farm	1	145,547	84,450
Automobiles	7	17,810	9,123
Fertilizer blending plants	3	190,657	182,816
Miscellaneous	--	707,188	568,026
Total		4,008,655	2,174,920

<sup>1</sup> Buildings and equipment combined for each plant or warehouse.

<sup>2</sup> Includes cost value of poultry breeding and feed evaluation farms.

On December 31, 1963, PFBCA had 309 employees. Of these, 127 were engaged in general and administrative activities, 26 in manufacturing and processing operations, and 156 in wholesale distribution, including warehousing and transportation.

## Farmers Cooperative Exchange, Inc.

Farmers Cooperative Exchange, Inc., commonly known as FCX, Raleigh, N.C., was organized on March 12, 1934.<sup>5</sup> It serves approximately 185,000 member-patrons in North and South Carolina, with approximately 100 percent of them farmers. Approximately 92 percent of production supply or purchasing business was with farmer-patrons in fiscal 1963.

Supplies are distributed through 69 FCX centrally managed subsidiary retail service stores, 3 independent cooperative associations, and 200 independent dealer-agencies. Approximately 15 percent of FCX's wholesale supply volume moves through these private dealer-agencies.

FCX is a centralized cooperative with farmers holding direct membership in it. Any farmer may become a member by acquiring a \$1 share of common stock and agreeing to comply with the bylaws. Each member has only 1 vote.

<sup>5</sup> The operations of FCX are closely related to those of the North Carolina Cotton Growers Cooperative Association. The same general manager serves both organizations. The cotton handled by the North Carolina Cotton Growers was valued at \$9,948,665 for the 1962-63 season, and its net worth on June 30, 1963, was \$1,242,340.

FCX has 15 directors elected at the annual meetings, for staggered terms of 3 years. Eleven directors are nominated on a district basis by owners of FCX common stock. One director is nominated by the board of directors of the North Carolina Cotton Growers Cooperative Association, one by the executive committee of the North Carolina Grange, and one by the executive committee of the North Carolina Farm Bureau Federation. One is a public director selected jointly by the North Carolina Commissioner of Agriculture, the Director of North Carolina Extension Service, and the President of Greater North Carolina University.

FCX distributed supplies at wholesale for the fiscal years ending June 30, 1962, and 1963, as follows:

Commodities	1962	1963
Feeds and grains	\$11,116,366	\$11,792,184
Fertilizer	3,896,496	4,244,104
Seed	1,939,390	2,471,900
Petroleum products	280,889	659,149
Tires, tubes, and batteries	696,562	639,444
Paint	237,576	209,792
Electrical appliances	384,947	260,346
Sprays and dusts	1,973,037	2,173,984
Miscellaneous farm supplies <sup>1</sup>	2,484,192	3,170,008
Total	23,009,455	25,620,911

<sup>1</sup> Includes such items as steel, asphalt, building materials, farm tools, poultry and dairy equipment, medicines, and salt.

The wholesale value of supplies sold or transferred to FCX service stores in 1961-62 was \$16,450,184 and in 1962-63 was \$16,463,113.

Retail sales of supplies by FCX subsidiary service stores were \$19,353,158 in fiscal year 1962 and \$19,368,369 in 1963.

Value of farm products marketed in the last 2 fiscal years follows:

Commodities	1962	1963
Grains	\$2,835,095	\$2,197,327
Eggs and poultry	6,745,000	7,057,697
Livestock	281,097	252,039
Miscellaneous (mostly food)	518,961	1,031,984
Total	10,380,153	10,539,047

Total net margins of FCX's wholesale, retail, and marketing system available to patrons and their distribution for fiscal years ended in 1962 and 1963 appear at the top of the next page.



Distribution of net margins	1962	1963
Cash dividends on capital stock	\$419,073	\$426,466
Patronage refunds paid in capital stock and debentures	--	--
Additions to capital reserves	<u>-203,293</u>	<u>156,966</u>
Total	215,780	583,432

Approximately 100 percent of these net margins in 1961-62 and 100 percent in 1962-63 were derived from supply operations. The remaining percentages were realized from marketing operations.

The amount of capital stock and debentures retired in 1961-62 totaled \$158,413; in 1962-63, the amount was \$107,595.

Total net margins available for distribution to patrons of the combined FCX system since 1934 have been \$12,030,881. Of this amount, FCX paid \$4,551,415 as cash dividends on capital stock; declared \$5,350,242 as patronage refunds and paid them in capital stock and debentures; and retained the remaining \$2,129,224 for capital as general reserves. Since 1934 it has retired about \$5,250,000 of such capital stock and debentures and made various adjustments against general reserves.

The financial condition of FCX and its retail subsidiaries as of June 30, 1962, and 1963, is shown in the following statement:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$13,462,470	\$15,987,360
Fixed assets (net)	8,205,932	8,536,948
Other assets	<u>1,766,215</u>	<u>1,571,750</u>
Total	23,434,617	26,096,058
<b>Liabilities and net worth:</b>		
Current liabilities	6,433,543	8,045,963
Other liabilities	3,120,505	3,619,721
Net worth (capital and reserves)	<u>13,880,569</u>	<u>14,430,374</u>
Total	23,434,617	26,096,058

The net worth or member and patron equities of the association on June 30, 1963, consisted of the items listed in the table which appears at the top of the next page.

Item	Amount
Capital stock--common	\$187,566
Capital stock--preferred	8,547,523
Patronage refund credits on Class D preferred stock	384,434
Subordinated debentures:	
Investment--5 percent; 1963-70 series	3,517,619
Patronage refunds--1965-67 series	385,693
Capital reserves (for self-insurance, inventory decline, and working capital)	1,407,539
Total	14,430,374

The number and value of facilities (building and equipment, by plants) owned and operated by FCX and its affiliated service stores and marketing units on June 30, 1963, were:

Facilities	Number of plants or units	Cost value	Depreciated value
Regional--wholesale, manufacturing, and marketing:			
Land	--	\$323,321	\$323,321
Farm supply warehouses	5	614,780	218,001
Equipment in warehouses and plants <sup>1</sup>	--	290,278	137,197
Fertilizer mixing plants	2	1,290,464	681,427
Seed cleaning plants	4	120,077	36,446
Food processing	1	519,166	441,962
Feed mills	2	1,642,613	1,307,129
Grain elevators	3	412,511	258,439
Office building	1	389,671	212,866
Subtotal	--	5,602,881	3,616,788
Local--retail and marketing:			
Land	--	501,408	501,408
Farm supply stores <sup>2</sup>	45	2,026,020	1,620,457
Seed cleaning plants	29	79,336	15,397
Equipment in warehouses and plants <sup>1, 3</sup>	--	3,596,402	2,335,529
General delivery trucks	258	909,877	374,919
Subtotal	--	7,113,043	4,847,710
Total--all items	--	12,715,924	8,464,498

<sup>1</sup> Exclusive of seed cleaners and trucks.

<sup>2</sup> Represents stores operating in building owned by FCX.

<sup>3</sup> Includes custom-mix mills.

FCX and Southern States Cooperative, Inc., also jointly manufacture feed in Norfolk and Roanoke, Va., and fertilizer in Norfolk. The FCX investment in these facilities and

in federations of regional cooperatives that operated manufacturing and wholesale facilities amounted to \$213,500 on June 30, 1963.

On June 30, 1963, the FCX system had 915 employees. Of these, 123 were engaged primarily in general and administrative activities, 150 in manufacturing and processing operations, 95 in wholesale distribution including warehousing and transportation, 438 in retail distribution, and 109 in marketing.

## Central Cooperatives, Inc.

(Stockholders voted to merge with Midland  
Cooperatives, Inc., on December 1, 1963.)

Central Cooperatives, Inc., often referred to as CCI, Superior, Wis., was organized on September 16, 1917. At the close of its operating year on November 30, 1963, it was serving 242 member and 50 nonmember cooperatives in the northern parts of Michigan, Wisconsin, Minnesota, and some parts of North Dakota and South Dakota. These cooperative outlets served approximately 100,000 patrons, 75 percent of them farmers. Three of these local cooperatives were operating under management or supervision agreements with CCI.

Membership in CCI is obtained by acquiring a \$100 share of common stock and agreeing to comply with the association's bylaws. Each member cooperative has 1 vote for every 50 members in the local cooperative, provided it owns 1 share of CCI's common stock for each 50 members. CCI had 11 directors elected on a district basis for staggered terms of 3 years.

This association distributed supplies at wholesale during fiscal years ended November 30, 1962, and 1963, as follows:

Commodities	1962	1963
Feed	\$1,928,604	\$1,958,860
Fertilizer	375,000	428,745
Seed	110,000	120,000
Petroleum products	2,552,422	2,655,788
Tires, tubes, and other accessories	495,024	453,381
Steel products	186,000	195,000
Lumber, paints, and other maintenance equipment	342,784	407,545
Insecticides	49,000	50,000
Electrical equipment and appliances	538,278	549,209
Hardware	560,720	588,027
Twine	185,000	190,000
Coal	64,000	62,000
Groceries	7,362,404	7,883,456
Meat	110,832	1,744,573
Fresh fruits and vegetables	849,454	957,809
Bakery products	385,737	384,494
Coffee	434,936	459,891
Clothing	1,052,747	1,031,324
Plumbing and heating equipment	362,445	374,958
Printing	358,394	358,076
Total	18,303,781	20,853,136

Net margins, after income taxes, available to patrons and their distribution in fiscal years ended in 1962 and 1963 were:

Distribution of net margins	1962	1963
Cash dividends on capital stock	\$28,055	\$19,909
Patronage refunds in capital stock	160,968	150,527
Additions to unallocated surplus	37,775	30,170
Total	226,798	200,606

Stocks or certificates amounting to \$62,300 originally issued in payment of patronage refunds were retired in 1962, and \$57,100 were retired in 1963. The association has now retired all such stock or certificates through 1944 under its revolving capital plan.

Total net margins available for patrons since organization have been \$5,772,840. Of this amount, CCI paid \$672,035 as dividends on capital stock and \$4,649,853 as patronage refunds in capital stock, and retained the remaining \$450,952 as unallocated surplus. It has retired a total of \$654,200 of capital stock representing patronage refunds under its revolving capital plan.

The financial condition of CCI on November 30, 1962, and 1963, was as follows:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$3,946,495	\$4,333,949
Fixed assets (net)	561,800	595,377
Other assets	2,362,012	2,655,769
Total	6,870,307	7,585,095
<b>Liabilities and net worth:</b>		
Current liabilities	1,144,550	1,647,030
Long-term notes	1,313,472	1,813,008
Net worth (capital and reserves)	4,412,285	4,125,057
Total	6,870,307	7,585,095

The net worth or member and patron equities of the association on November 30, 1963, consisted of the following items:

Item	Amount
Preferred stock (par \$25)	\$311,200
Common stock (par \$100)	3,285,600
Share credits	17,584
Patronage refunds payable in stock	120,422
Surplus reserve	390,250
Total	4,125,056

On November 30, 1963, principal facilities (buildings and equipment, by plants) owned and operated by CCI consisted of the following:

Facilities	Number of plants or units	Cost value	Depreciated value
Land	--	\$70,904	\$70,904
Warehouse and office (buildings and equipment)	4	596,911	315,965
Bakery (building and equipment)	1	129,715	15,422
Coffee roasting plant (equipment)	1	21,625	2,053
Feed mill (building and equipment)	1	182,623	30,888
Garage and delivery equipment	23	346,896	102,902
Printing (building and equipment)	1	80,352	57,243
Total	--	1,429,026	595,377

CCI also had \$2,655,768 invested in federations of regional cooperatives operating various manufacturing and wholesaling facilities.

On November 30, 1963, CCI had 267 employees. Of these, 125 were engaged in general and administrative activities, 51 in manufacturing and processing operations, and 91 in wholesale distribution, including warehousing and transportation.

## Farm Bureau Services, Inc.

Farm Bureau Services, Inc., Lansing, Mich., was organized on October 25, 1929, to provide a cooperative wholesale supply service for farmer cooperatives in Michigan.

At the end of its fiscal year on June 30, 1963, this cooperative had 131 member associations. It also served 98 nonmember associations (patronage agreement dealers) and 159 private dealer outlets, and 19 branch retail outlets. Farmers represented approximately 90 percent of the 100,000 patrons of all these retail outlets.

Farm Bureau Services, Inc., managed 22 of the member associations under management contracts and business service agreements.

Farm Bureau Services, Inc., is both a federated and a centralized cooperative, and performs both wholesale and retail supply services. On November 1, 1962, Michigan Elevator Exchange, a grain and bean marketing cooperative, became a division of Farm Bureau Services. Better than 90 percent of their members were also members of Farm Bureau Services. Those who were not could obtain membership by the purchase of 100 shares of common stock, or by signing a patronage agreement, if they were not eligible to hold common stock.



Local farmer cooperatives may become members by acquiring 100 shares of Class A common stock, which has a par value of \$1 per share, and agreeing to comply with the bylaws. Each share carries 1 vote. Michigan Farm Bureau Federation holds a majority of the outstanding shares. Membership in the local cooperatives is not limited to Farm Bureau members.

Individual farmers who are served primarily by retail branches or dealer-agents of the State organization may become members of Farm Bureau Services, Inc., by acquiring one share of common stock at \$1 par value or signing a membership agreement if annual purchases of supplies exceed \$200. This stock also has voting rights. There were approximately 15,600 of these members at the end of the 1963 fiscal year.

The board of 13 directors of Farm Bureau Services, Inc., is made up of 7 members of the Michigan Farm Bureau board and 6 members elected from the State at large by local member cooperatives. Term of office is 1 year.

The regional's wholesale division distributed supplies during the fiscal years ended August 31, 1962, and June 30, 1963, as follows:

Commodities	1962 12 Months	1963 10 Months
Feed	\$5,870,142	\$5,445,045
Fertilizer	5,351,771	5,806,481
Seed	1,260,034	1,267,191
Insecticides	394,336	402,774
Lumber, paint, and other maintenance equipment, incl. steel products	3,379,553	2,684,434
Total	16,255,836	15,605,925

Beginning January 1, 1949, the distribution of petroleum products was transferred from Farm Bureau Services, Inc., to a separate corporation, The Farmers Petroleum Cooperative, Inc., Lansing, Mich. A separate writeup on it is included in this Handbook.

The wholesale volume of Farm Bureau Services, Inc., included the supplies transferred to its own retail branch outlets, amounting to \$4,277,951 in 1961-62, and \$3,735,008 in 1962-63 (10 months only). The retail value of supplies distributed through branch outlets owned by the association amounted to \$6,542,140 in 1961-62, and \$5,957,646 in 1962-63 (10 months only). (These volumes were substantially less in earlier years because all wholesale sales formerly shown as "branch volume" were excluded.)

Farm Bureau Services, Inc., through its divisions, marketed the products shown in the table which appears at the top of the next page.

Commodities	1962 12 months	1963 10 months <sup>1</sup>
Grain	--	<sup>1</sup> \$14,956,776
Beans	--	<sup>1</sup> 4,209,185
Eggs and poultry <sup>2</sup>	\$1,924,959	<sup>2</sup> 1,969,754
Total	1,924,959	21,135,715

<sup>1</sup>Michigan Elevator Exchange Division volume is for only 8 months.

<sup>2</sup>Includes started pullet sales of \$170,000 in 1963.

The grain and beans marketed by Farm Bureau Services, Inc., include the sales of marketed grain and beans for its own retail branch outlets, amounting to \$713,108 for 8 months of 1962-63.

The retail value of grain and beans marketed through branch outlets owned by the association amounted to \$3,802,233 in 1961-62, and \$1,604,512 for 10 months in 1962-63.

Total net margins, after Federal income taxes, available to patrons from all operations, and their distribution for 1962 and 1963 fiscal years were:

Distribution of net margins	1962 12 months	1963 10 months
Cash dividends on capital stock	\$23,416	\$65,640
Patronage refunds payable in capital stock	278,954	237,236
Additions to capital reserves	44,416	118
Total	346,786	302,994

Approximately 97 percent of the net margins in 1961-62 and 73 percent in 1962-63 were derived from supply operations. The remaining percentages were realized from marketing operations.

In 1961-62, the association retired stock or certificates amounting to \$225,070, originally issued in payment of patronage refunds. In 1962-63, it retired none. The association has now retired all such stock or certificates through 1948 under its revolving capital plan.

Total net margins, after Federal income taxes, since organizing in 1929 have been \$6,453,661. Of this amount, the association paid \$709,153 as cash dividends on capital stock, \$43,497 as cash patronage refunds, and \$5,131,516 as patronage refunds in the form of capital stock and debentures. It retained the remaining \$569,495 in general reserves. The association has retired a total of \$1,596,349 of capital stock and debentures under its revolving capital plan of financing since organization.

The financial condition of Farm Bureau Services, Inc., as of August 31, 1962, and June 30, 1963, is shown by the following condensed statement:

Item	August 31, 1962	June 30, 1963
<b>Assets:</b>		
Current assets	\$5,375,949	\$8,154,174
Fixed assets (net)	3,812,563	5,512,782
Other assets	<u>1,145,727</u>	<u>1,652,119</u>
Total	10,334,239	15,319,075
<b>Liabilities and net worth:</b>		
Current liabilities	1,982,224	3,219,209
Other liabilities	102,200	471,350
Debentures, capital stock and patrons' equities	<u>8,249,815</u>	<u>11,628,516</u>
Total	10,334,239	15,319,075

The debentures, capital stock, and patrons' equities of the association on June 30, 1963, consisted of the following items:

Item	Amount
<b>Subordinated debentures:</b>	
Series A - 6 percent - 15-year	\$520,770
Series A - 5-1/2 percent - 15-year	907,970
Series A - 5 percent - 15-year	3,660,740
Series B - 3 percent - 15-year	58,320
<b>Capital stock and credits:</b>	
Class A common	92,731
Class A preferred	1,492,160
Class AAA preferred	887,930
Class B preferred	1,058,090
Fractional share credits	217,017
<b>Patrons' equities:</b>	
Allocated patronage refunds	1,965,855
Reserve for operating capital	529,697
Patronage dividends payable for current year	<u>237,236</u>
Total	11,628,516

Type and value of the principal operating facilities (buildings and equipment, by plants) owned on June 30, 1963, were as shown in the table which appears at the top of the next page.

Facilities	Number of plants or units	Cost value	Depreciated value
Wholesale and marketing (including land):			
Marketing (processing & storage terminals)	4	\$1,828,549	\$1,755,395
Egg marketing building & equipment	2	269,345	238,099
Pickup & delivery trucks--egg marketing	--	33,403	16,559
Wholesale farm supply warehouse	3	381,504	238,780
Seed cleaning plant & warehouse	1	309,984	203,009
Office equipment--main office	1	225,454	67,577
Transportation department trucks, trailers, and trailer-tractor units	16	242,457	113,006
Fertilizer manufacturing plants	2	2,752,434	1,217,615
Construction of new 2-million-bu. terminal & feed plant	2	129,132	129,132
Total		6,172,262	3,979,172
Retail:			
Retail farm supply branches	19	2,049,794	1,338,338
Portable feed mixing units	11	172,119	102,190
Retail gasoline station, elevator & warehouse (leased)	3	119,164	75,889
Gen'l delivery trucks--retail	74	316,061	17,203
Total		2,657,138	1,533,620
Grand Total		8,829,400	5,512,792

Farm Bureau Services also had \$1,501,244 invested in federations of regional cooperatives which operated various manufacturing and wholesaling facilities.

At the end of its fiscal year on June 30, 1963, Farm Bureau Services, Inc., had 626 employees. Of these, 74 were engaged in general administrative activities, 93 in manufacturing and processing operations, 45 in egg marketing, 74 in wholesale distribution, 77 in grain and bean marketing, 198 in retailing and marketing, and 65 in handling contractual services for the affiliated Michigan Farm Bureau.

## Farmers Union State Exchange

Farmers Union State Exchange, Omaha, Neb., was organized in 1914. On September 30, 1963, it was serving 320 member associations with 15,000 patrons, 98 percent of them farmers. Four member cooperatives were under management and financing agreements with the Exchange.

The Exchange also has 2,041 individual farmer-members. Most of them became members in the early days of the Exchange when it did a mail order business. The stock of these members is being retired at an accelerated rate. Thus, the Exchange is now a federated organization.

Membership in the State Exchange is obtained by purchasing or earning a \$12.50 share of common stock and agreeing to the provisions of the bylaws. Each member has only 1 vote. The Exchange has seven directors elected at large for staggered terms of 3 years. The Exchange is organized independently of the Nebraska Farmers Union, but works closely with that organization.

The Exchange has one wholly-owned subsidiary--The Statex Finance Company. It finances merchandise and equipment sold by the Exchange. It made loans of \$259,790 in 1962, and \$338,738 in 1963.

The Exchange distributed supplies at wholesale during fiscal years ended on September 30, 1962, and 1963, as follows:

Commodities	1962	1963
Feed, seed, fertilizer, and insecticides	\$1,831,107	\$2,518,712
Gasoline, oil, and grease	7,006,992	7,356,673
Tires, tubes, and other accessories	597,695	585,606
Farm machinery equipment, fencing, hardware, and twine	1,027,246	1,362,209
Paint	58,230	46,119
Roofing	35,000	27,200
Miscellaneous	3,618	21,787
Total	10,559,888	11,918,306

The Exchange also had retail sales of \$42,337 in 1962 and \$66,768 in 1963.

Total net margins available to patrons from all operations and their distribution for the 1962 and 1963 fiscal years were:

Distribution of net margins	1962	1963
Cash dividends on capital stock	\$25,162	\$35,916
Patronage refunds allocated as member equities	707,541	771,752
Total	732,703	807,668

The association distributed its net margins in the following manner: After a 2 percent dividend on common stock, 5 percent dividend on preferred stock, allowance for taxes and additions to reserves, 20 percent of the remainder was paid in cash, and the balance issued in the common stock of the cooperative.

During the 1961-62 fiscal year, patronage dividend notes, debentures, and stock amounting to \$488,823, originally issued in payment of patronage refunds, were retired in cash. The amounts retired in fiscal year 1962-63 totaled \$494,118. Retirement of



these member equities is not on a definite revolving schedule, but entirely at the discretion of the board of directors as cash becomes available.

The financial condition of the Farmers Union State Exchange on September 30, 1962, and 1963, is shown on the following condensed statement:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$1,626,436	\$1,890,854
Fixed assets (net)	330,051	426,084
Other assets	2,915,174	2,878,117
Total	4,871,661	5,195,055
<b>Liabilities and net worth:</b>		
Current liabilities	564,163	596,451
Other liabilities	639,809	580,467
Net worth or member and patron equities	3,667,689	4,018,137
Total	4,871,661	5,195,055

The net worth or member and patron equities of the association on September 30, 1963, were:

Item	Amount
Capital stock--common	\$1,684,063
Capital stock--preferred	44,737
Capital stock credits	1,337
General surplus	179,187
Allocated surplus	2,108,813
Total	4,018,137

On September 30, 1963, the Exchange had principal operating facilities (buildings and equipment, by plants) as follows:

Facilities	Number of plants or units	Cost value	Depreciated value
Fertilizer bulk blending plants	3	\$140,117	\$123,875
Office building and warehouse	1	277,133	112,526
Lubricating oil compounding plant	1	179,500	15,000
Transport trucks and general delivery trucks	14	169,527	71,900
Truck garages	2	13,076	2,072
Total		779,353	325,373

The Exchange also had \$2,641,694 invested in federations of regional cooperatives that operated various manufacturing and wholesaling facilities.

At the close of the 1963 fiscal year, the Exchange had 110 employees. Of these, approximately 44 were engaged in general and administrative activities, 28 were in manufacturing or processing operations, and 38 were in wholesale distribution, including warehousing and transportation.

## Farmers Petroleum Cooperative, Inc.

Farmers Petroleum Cooperative, Inc., Lansing, Mich., was organized on May 12, 1948, and began operations on January 1, 1949. It was set up to handle the petroleum services that had been provided for many years by Farm Bureau Services, Inc., Lansing, Mich.

At the end of its fiscal year on August 31, 1963, Farmers Petroleum Cooperative (FPC) had 40 local cooperatives and 5,142 individual farmers as members. It did not serve any nonmember associations. These member cooperatives had approximately 32,000 patrons, of which about 85 percent were farmers. It had management contracts with 7 of the local cooperatives.

Any local cooperative or individual who purchases from the cooperative may become a stockholder by purchasing one share of Class C voting common stock (no par value), and \$50 or more of Class A nonvoting common stock and agreeing to comply with the bylaws. Each share of Class C common stock has 1 vote, and the Michigan Farm Bureau Federation holds a majority of the outstanding shares. Membership in the local cooperatives, however, is not limited to Farm Bureau members.

Local cooperatives are provided wholesale services for petroleum products, tires, batteries, and automotive supplies. A large number of individuals are provided products through 10 retail branches of FPC. The branches make some local retail sales but most of their volume consists of fuels delivered in large trucks from refinery or other storage terminals direct to members' farms.

The cooperative has nine directors, made up of five members of the Michigan Farm Bureau and four elected from the State at large by local member cooperatives and individuals. Their term of office is 1 year.

Wholesale sales to local cooperatives, FPC retail branches, and other firms during the fiscal years ending August 31, 1962, and 1963, were:

Commodities	1962	1963
Petroleum products (refined fuels, oil, and grease)	\$6,088,577	\$6,291,575
Crude oil	1,594,452	1,370,239
Petroleum equipment (farm and station)	14,084	12,650
Tires, batteries, and accessories	456,265	429,545
Miscellaneous	98,190	94,815
Total	8,251,568	8,198,842

Retail sales by FPC branches were \$2,814,153 in fiscal 1963 and \$2,830,872 in 1962. Thus after eliminating transfers from wholesale to retail, net sales of FPC (excluding crude oil) were \$7,444,370 in 1963 and \$7,233,465 in 1962.

Total margins and their distribution for the 2 years follow:

Distribution of net margins	1962	1963
Cash dividends on capital stock	\$68,207	\$76,983
Patronage refunds in:		
Cash	54,588	54,802
Allocated credits	163,764	164,405
General reserve for operating capital	72,109	29,120
Income taxes	--	30,489
Total	358,668	355,799

The cooperative does not operate on a revolving capital basis. However, it has a unique plan for accumulating member capital by adding a capital assessment or charge of one-eighth cent a gallon to each invoice for fuel purchased from it. This has enabled the association to refund most of its net margins in cash each year.

Total net savings of the association since organizing in 1949 have been \$3,955,424. Of this amount, the association paid \$624,529 as cash dividends on capital stock and dividends on deferred patronage refunds; \$1,921,945 as cash patronage refunds, and \$643,848 as patronage refund allocated credits; has placed \$618,431 in general reserves; and paid \$146,671 in income taxes. In addition, the association has paid as expenses \$387,683 of interest on debentures held by members.

The condensed financial condition of the cooperative on August 31, 1962, and 1963, was as follows:

Item	1962	1963
<b>Assets:</b>		
Current assets	\$1,230,339	\$1,422,228
Fixed assets (net)	5,432,281	4,755,882
Other assets	777,030	837,168
Total	7,439,650	7,015,278
<b>Liabilities and net worth:</b>		
Current liabilities	853,197	1,049,755
Other liabilities	2,819,045	1,885,892
Debentures, capital stock, and patrons' equities	3,767,408	4,079,631
Total	7,439,650	7,015,278

The member and patron equities of the association on August 31, 1963, consisted of the following items:

Item	Amount
Debentures--5 percent; 10-year	\$1,083,560
Debentures--6 percent; 10-year	549,190
Capital stock:	
Class A common	1,141,340
Class C common	27,976
Patrons' equities:	
Allocated patronage credits	643,848
Part payments on stock	15,286
General reserve for operating capital	618,431
Total	4,079,631

The principal operating facilities and properties owned on August 31, 1963, were:

Properties	Cost value	Depreciated value
Real estate & buildings	\$17,499	\$12,078
Undeveloped leases	56,145	56,145
Developed crude oil leases (Interest in 311 wells in Michigan, Illinois, and Indiana)	8,403,276	2,911,726
Developed lease equipment	2,678,268	1,612,086
Trucks and trailers	593,828	131,400
Furniture, fixtures, and equipment	56,935	32,447
Total	11,805,951	4,755,882

The cooperative also had \$519,345 invested in capital stock and patronage refund credits in other cooperatives which operated manufacturing and wholesaling facilities.

## Southern Farmers Association

Southern Farmers Association, referred to as SFA, North Little Rock, Ark., was organized in 1945. As of June 30, 1963, SFA served 45 local member associations, which operated 50 retail outlets, and 9 nonmember local cooperatives. These outlets in turn served approximately 30,000 farmers. None of the member cooperatives were under management or supervision agreements with SFA.

Membership in SFA is limited to local cooperatives and is obtained by purchasing a \$100 share of common voting stock and agreeing to the provisions of the bylaws. Each member association has only 1 vote.

SFA has 12 directors. Of these, 10, or 2 from each of 5 districts, are elected for staggered terms of 3 years. In addition, 1 director is elected for a term of 1 year from the district purchasing the largest dollar volume from SFA during the preceding year, and 1 director is elected for 1 year who shall be the president of the managers' association. SFA was first organized as the Arkansas Farm Bureau Cooperative but is now independent of any farm organization in the State.

This cooperative distributed supplies at wholesale during fiscal years ended June 30, 1962, and 1963, as follows:

Commodities	1962	1963
Feed (direct and warehouse)	\$4,518,800	\$2,746,218
Seed	807,236	805,488
Insecticides	537,411	621,100
Fertilizer	845,477	844,291
Petroleum products (including TBA items)	2,509,602	2,650,668
General farm supplies	<u>418,640</u>	<u>461,055</u>
Total (net)	9,637,166	8,128,820

Net savings available to patrons and their distribution in fiscal years ending in 1962 and 1963 were:

Distribution of net margins	1962	1963
Dividends on preferred stock	\$34,831	\$39,940
Cash patronage refunds	44,411	83,165
Patronage refunds issued in preferred stock	109,420	69,480
Additions to capital reserves	<u>--</u>	<u>--</u>
Total	188,662	192,585

The association retired, in cash or by application on receivables, certificates of equity amounting to \$114,851 in the fall of 1956 under a revolving capital plan. None have been retired since that time. It has now retired practically all such equities issued before 1953.

The financial condition of Southern Farmers Association on June 30, 1962, and 1963, was as shown in table which appears at the top of the next page.



Item	1962	1963
<b>Assets:</b>		
Current assets	\$1,305,515	\$1,325,000
Fixed assets	366,422	775,495
Other assets	36,100	36,100
Investment and equities in cooperatives	<u>324,447</u>	<u>422,926</u>
Total	2,032,484	2,559,521
<b>Liabilities and net worth:</b>		
Current liabilities	664,380	785,402
Other liabilities	303,477	609,765
Net worth or member and patrons' equities	<u>1,064,627</u>	<u>1,164,354</u>
Total	2,032,484	2,559,521

The net worth or member and patrons' equities of the association on June 30, 1963, consisted of the following items:

Item	Amount
Preferred stock	\$738,500
Common stock	4,500
Certificates of equity	294,939
Reserve for contingencies	--
Unallocated net savings for year ended 6/30/63 (after dividends on preferred stock)	<u>126,415</u>
Total	1,164,354

Facilities (buildings and equipment, by plants) owned and operated by SFA at the close of its 1963 fiscal year included:

Facilities	Number of plants or units	Cost value	Book value
Land	--	\$40,960	\$40,960
Farm supply warehouse, equipment, and office	2	173,321	76,367
Seed plant (building and equipment)	1	93,345	37,104
Hatcheries--complete	1	98,801	46,494
Feed mill	1	568,205	568,081
Automobiles and trucks	--	<u>23,607</u>	<u>6,489</u>
Total		998,239	775,495

SFA also had \$344,063 of investments and patrons' equities in regional cooperatives and federations of regionals that were operating various manufacturing facilities. This did not include stock in the bank for cooperatives.

On June 30, 1963, SFA had 50 employees--22 engaged in general and administrative activities, 24 in wholesale distribution including warehousing, and 4 in seed processing and warehousing.

## PART II

# Supply Business and Facilities of Two Major Regional Marketing Cooperatives

Two regional cooperatives, primarily marketing associations, reported their volume of production supply and equipment business, net margins realized on these operations, and supply facilities in 1962 and 1963. Both are of the federated type and distribute farm supplies to local member associations.

### The Cotton Producers Association

The Cotton Producers Association, Atlanta, Ga., began handling farm production supplies in 1941. It provides supply services to about 60,000 farmers in Georgia, Alabama, Northern Florida, and a small portion of Tennessee through 89 member local associations and 35 dealer representatives.

The value of farm production supplies distributed at wholesale during fiscal years ended June 30, 1962, and 1963, was as follows:

Commodities	1962	1963
Feed	\$22,840,464	\$24,972,929
Fertilizer	7,775,887	8,102,179
Seed	1,339,318	1,637,325
General farm supplies	2,437,763	2,976,102
Pesticides	1,418,849	1,575,710
Chicks	4,516,245	5,909,755
Total	40,328,528	45,174,003

Net margins on these production supply operations amounted to \$2,374,374 in 1962 and \$3,217,116 in 1963.

On June 30, 1963, Cotton Producers Association had farm production supply facilities (buildings and equipment, by plants) as shown in the table which appears at the top of the next page.

Facilities	Number of plants or units	Cost value	Depreciated value
Land	--	\$227,522	\$227,522
Feed mills	3	2,809,987	2,226,420
Seed plants	3	131,524	25,663
Fertilizer plants	5	2,476,274	1,613,151
Insecticide plant	1	29,844	2,908
Supply warehouses	2	164,770	110,996
Hatcheries	6	834,940	606,790
Autos and trucks	--	224,869	113,141
Total		6,899,730	4,926,591

## Land O'Lakes Creameries, Inc.

Land O'Lakes Creameries, Inc., Minneapolis, Minn., was organized in 1921. It is a federated organization owned by 587 local member dairy marketing associations, which in turn serve approximately 65,000 farmers. Land O'Lakes serves Minnesota, Wisconsin, North Dakota, and South Dakota.

The value of farm production supplies, poults, and equipment distributed at wholesale for the years ended December 31, 1962, and 1963, was as follows:

Commodities	1962	1963
Feed	\$16,889,044	\$17,072,049
Fertilizer	1,222,208	1,380,263
Seed	4,361,808	4,350,730
Pesticides	104,800	240,579
General farm supplies	179,775	233,946
Poults	982,713	954,351
Subtotal	23,740,348	24,231,918
Equipment (mostly dairy plant; some dairy, poultry, and other farm items)	6,865,811	5,199,599
Total	30,606,159	29,431,517

Feed, seed, fertilizer, and poults are handled by the Agricultural Services Division. It realized net margins (after direct and indirect expenses) of \$1,585,289 in 1962 and \$1,664,762 in 1963.

Plant and farm equipment is handled by the Equipment Sales Division. It realized net margins of \$283,308 in 1962 and \$89,954 in 1963.

On December 31, 1963, Land O'Lakes had farm production supply facilities (buildings and equipment, by plants) as follows:

Facilities	Number of plants or units	Cost value	Depreciated value
Land	--	\$142,733	\$142,733
Feed mill	2	2,128,698	1,283,603
Seed plant	1	11,562	1,082
Fertilizer plant	1	1,117,691	282,918
Supply warehouse	1	21,157	7,496
Autos and trucks	--	115,375	17,434
Total		3,537,216	1,735,266



# PART III

## Summary of 22 Major Regional Cooperatives

This section summarizes and totals the detailed information on the supply operations of the 22 regionals described in detail in this report.

### Years Organized

Table 1.--Date of organization of 22 major regional cooperatives handling supplies

Year organized	Number of associations organized	Year organized	Number of associations organized
1914	1	1927	2
1916	1	1929	3
1917	2	1931	1
1918	1	1933	2
1920	1	1934	2
1923	1	1945	2
1926	2	1949	1
Total			22

### Type and Number of Retail Outlets

Table 2.--Type and number of retail supply outlets served by 22 major regional cooperatives in 1963

Type of retail outlet	Number
Local member cooperatives:	
Not managed or supervised by regionals	5,049
Managed or supervised by regionals	432
Local nonmember cooperatives	884
Local subsidiary service stores and branches of regionals	733
Independent service agencies or dealer-agents	1,148
Farmer-representatives or farmer-agents	292
Total	8,538

Note: "Independent service agencies or dealer-agents" are independent or private concerns that perform a distributing service for the regional cooperatives in accordance with mutually agreeable policies. These plans include provisions for passing on to farmers the wholesale patronage refunds distributed by the regionals. Similarly, the "farmer-representatives" or "farmer-agents" are farmers who serve as distributing agents for the regionals.

# Number of Patrons Served

The 22 regional cooperatives served directly or through affiliated local cooperatives approximately 3,549,454 patrons during their fiscal year ended in 1963. Of these, 3,232,652 or 91.1 percent were farmers and 316,832 or 8.9 percent were nonfarmers.

## Financial Requirements for Membership

Table 3.--Financial requirements for membership in 22 major regional cooperatives in 1963

Requirements	Number of associations
Membership fee:	
One \$2.50 membership plus \$1 for membership publication--by farmer	1
One \$10 membership plus \$100 of preferred investment certificates, by farmer or cooperative if either does \$1,000 or more business per year	1
Capital stock:	
One no-par-value share by local cooperative	1
One \$1 share by farmer or local cooperative	2
One \$1 share or sign membership agreement to buy \$200 or more of supplies per year--by farmer; one no-par share--by local cooperative	1
One \$5 share by farmer	1
One \$12.50 share by local cooperative	1
One \$25 share by local cooperative	4
One no-par share plus \$50 of nonvoting shares by farmer or local cooperative	1
One \$100 share by local cooperative	5
One \$1,000 share by local cooperative	1
Ten \$100 shares plus 20 percent of annual net margins declared to farmer or cooperative, with maximum of 500 shares	1
Patronage:	
Patronize the cooperative during the current year, provided patron is a farmer or farmer cooperative	<u>2</u>
Total	22

# Voting Provisions

Table 4.--Voting provisions of 22 regional cooperatives in 1963

Provisions	Number of associations
One vote per member cooperative or member farmer	14
One vote per share of stock carrying voting privileges	4
One voting delegate for every 100 members in a local cooperative	1
One vote for every 50 members in the local cooperative providing it owns one share of common stock for each 50 members	1
One vote for each member association plus additional votes based on volume	1
One vote for each farmer or local cooperative member plus one vote if he has signed a marketing agreement	1
Total	22

## Number, Selection, and Terms of Directors

Table 5.--Number of directors and method of selection in 22 regional cooperatives in 1963

Method of election or selection				Number of associations reporting
Elected directly by members	Appointed, nominated or elected by a general farm organization	Appointed public directors by board of directors, or by public agencies	Total number of directors	
<u>Number of directors</u>				
0	26	0	26	1
4	5	0	9	2
6	6	0	12	1
7	0	0	7	2
7	0	1	8	1
10	0	1	11	1
10	0	2	12	1
10	0	6	16	1
10	3	0	13	1
10	4	0	14	1
11	0	0	11	2
11	3	1	15	1
12	0	0	12	1
12	4	0	16	1
13	0	0	13	1
16	0	0	16	1
22	0	0	22	1
33	0	0	33	1
57	0	0	57	1
261	51	11	323	22

Notes for Table 5 are at top of next page.

Note: Members elected all their directors in 21 associations in 1963; 1 reported all elected by a general farm organization. Six of the 21 associations also had some directors appointed, nominated, or elected by general farm organizations, and 5 of the 21 also had some public directors appointed by the board or by public agencies.

In 1963, 14 associations elected directors for 3-year terms; 5 elected them for 2-year terms; and 3 elected them for 1-year terms.

Three associations appointed some of the directors for 3 years; and 4 appointed some for 1-year terms.

## Number and Type of Employees

Table 6.--Number and type of employees in 22 regional cooperatives in 1963

Type of activity	Total number	Percent of total
Administrative	4,288	19.4
Manufacturing and processing	6,201	28.0
Wholesale distribution (including warehousing and transportation)	4,333	19.6
Retail distribution	4,447	20.1
Marketing farm products	1,437	6.5
Activity not classified	1,418	6.4
Total	22,124	100.0

## Fiscal Year Endings

The number of regionals closing their fiscal years on the following specified dates in 1963 was as follows:

Date	Number of associations in 1963
June 30	6
August 31	5
September 30	2
November 30	1
December 31	8
Total	22

Dollar volume of supplies of the six regionals closing their fiscal year during the first half of 1963 accounted for 37 percent of the total for all associations. Volume of the remaining 16 accounted for 63 percent of the total.

## Sales of Supplies, by Types

Feed, petroleum products, and fertilizer made up 80.9 percent of the total volume in 1962 and 80.3 percent in 1963. Feed predominated in the dollar volume of 11 associations, petroleum products in 8, fertilizer in 2, and groceries in 1 (table 7 and figure 2).

Five of the 19 regionals also reported the volume of supplies handled by retail affiliates and branches--\$243 million in both 1962 and 1963. When this volume was added to that of the three regionals distributing supplies direct to patrons, total retail volume was \$409 million in 1962 and \$403 million in 1963.

Volume of supplies exceeded volume of farm products marketed in 18 associations and was about the same in one.

Table 7.--Supplies distributed by 22 major regional cooperatives during fiscal years ending in 1962 and 1963

Commodity group	1962		1963		Percent change in sales	Number reporting in 1963
	Amount	Percent of total	Amount	Percent of total		
	<u>\$1,000</u>		<u>\$1,000</u>			
Feed	\$435,959	35.5	\$444,742	34.5	2.0	21
Petroleum products	354,057	28.8	361,548	28.0	2.1	18
Fertilizer	200,040	16.3	225,310	17.5	12.6	18
Seed	36,481	3.0	39,794	3.1	9.1	17
Subtotal	1,026,537	83.6	1,071,394	83.1	4.4	22
Building materials <sup>1</sup>	41,195	3.3	48,592	3.8	18.0	16
General farm equipment <sup>2</sup>	23,265	1.9	25,783	2.0	10.8	18
Tires, tubes, and auto accessories	38,151	3.1	38,293	3.0	0.4	14
Steel products	13,986	1.1	14,559	1.1	4.1	7
Pesticides and farm chemicals	28,798	2.4	31,174	2.4	8.3	17
Electrical equipment and appliances	6,245	0.5	6,447	0.5	0.3	9
Plant equipment--petroleum, fertilizer, and other	3,516	0.3	2,618	0.2	-25.6	2
Twine and rope	3,629	0.3	4,142	0.3	14.1	6
Groceries	7,363	0.6	7,883	0.6	7.1	1
General supplies (coal, containers, chicks, and lawn, garden, farm, and home supplies)	35,327	2.9	38,992	3.0	10.4	18
Subtotal	201,475	16.4	218,483	16.9	8.4	22
Total	1,228,012	100.0	1,289,877	100.0	5.0	22

<sup>1</sup> Includes lumber, roofing (unless in steel products) and paint and fencing in some associations.

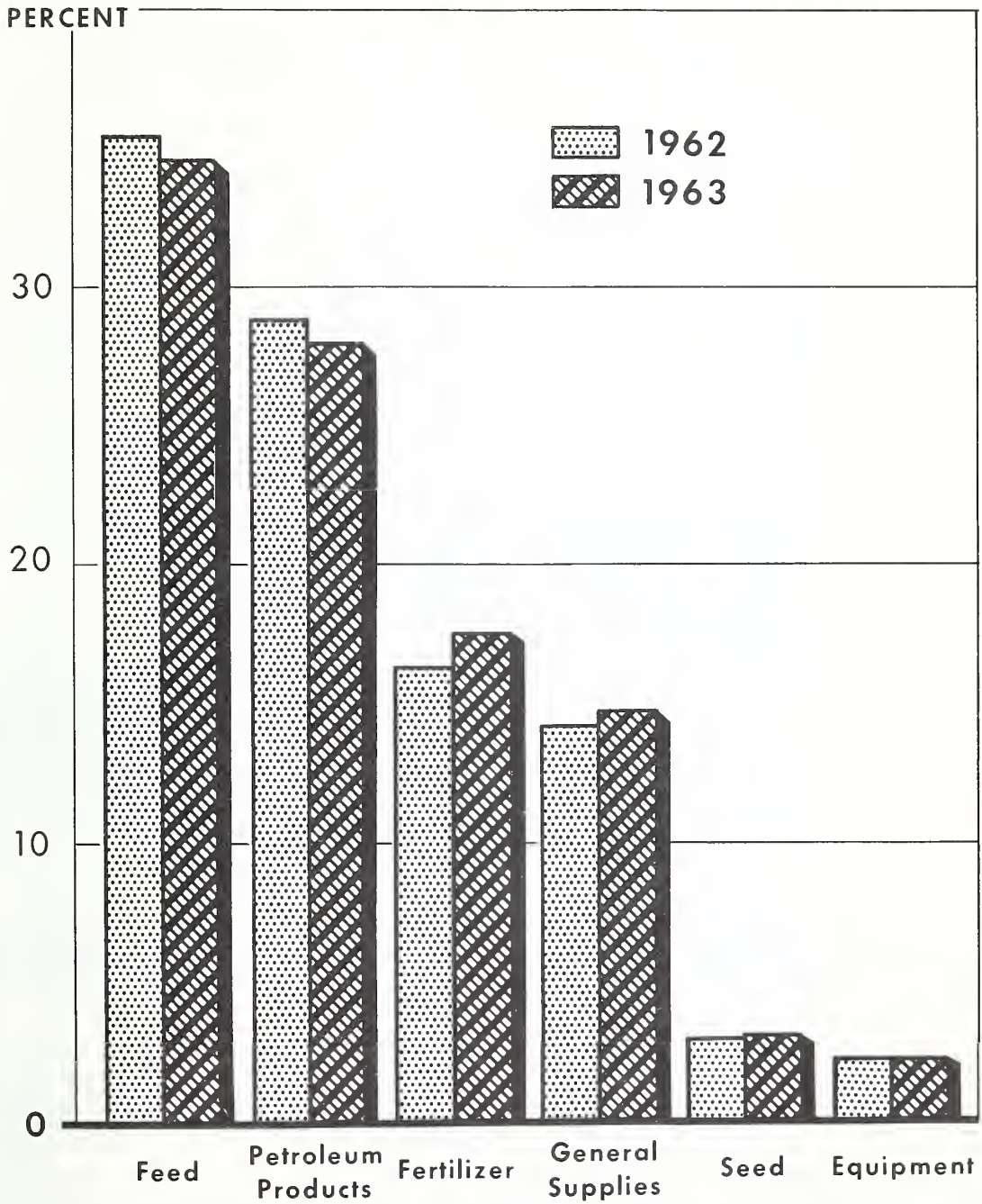
<sup>2</sup> Includes farm machinery totaling \$2,002,743 in 1962 and \$1,384,354 in 1963 for two associations.

Note: Of the 22 regionals, 19 distributed supplies at wholesale totaling \$1,129 million in fiscal 1963 compared with \$1,062 million in fiscal 1962. The other three regionals distributed their supplies primarily at retail, and their volume totaled \$166 million in 1962 and \$160 million in 1963. These were Eastern States Farmers' Exchange, Inc., Western Farmers Association, and Nulaid Farmers Association.



Fig. 2

## MAJOR TYPES OF SUPPLIES HANDLED BY 22 REGIONAL COOPERATIVES IN 1962 AND 1963



# Farm Products Marketed

Table 8.--Sales of farm products by 13 of the 22 regional cooperatives handling supplies in 1962 and 1963

Product	1962	1963	Number reporting in 1963
	<u>1,000</u>	<u>1,000</u>	
Grain	\$182,182	\$222,615	10
Beans (dry edible)	4,458	8,617	3
Seed	3,414	3,195	2
Fruits and vegetables	12,889	15,562	1
Eggs <sup>1</sup>	73,722	70,178	6
Poultry <sup>2</sup>	21,623	20,942	3
Livestock and products <sup>3</sup>	9,146	10,044	2
Wool	813	769	1
Other	519	1,032	1
Total	308,765	352,954	13

<sup>1</sup> Includes small amounts of poultry for two other associations and a small amount of potatoes for one association.

<sup>2</sup> Includes a small volume of eggs for one other association.

<sup>3</sup> In addition, a minority-owned subsidiary of one association had sales of pork products totaling \$22,649,000 in 1962 and \$20,935,000 in 1963.

## Amount and Distribution of Net Margins

Net margins available to patrons represent margins after payment of, or provisions for, Federal income taxes. No attempt was made in preparing this report to obtain income or other tax information because these data would have little comparative significance.

Any income taxes shown as paid or accrued by one cooperative cannot be used as a basis for estimating the amount of tax paid or accrued by other cooperatives. Many operate under a contractual obligation to distribute to their patrons all net margins above operating expenses and dividends on capital stock. The remainder have a contract with only their member-patrons to distribute net margins arising from member business. Under established legal principles, both types of contracts permit the cooperative to exclude from gross income net margins allocated on a patronage basis and distributed in cash or in various forms of patrons' equities.

This right of exclusion applies equally to farmer cooperatives qualifying for exemption under the Internal Revenue Code and also to those that are nonexempt. Qualifying "exempt" associations are permitted to deduct dividends on stock and certain extraneous income in determining their Federal income tax position. Both groups of organizations are subject to essentially all other taxes paid by business enterprises.

Table 9.--Distribution of net margins available to patrons by 22 major regional cooperatives handling supplies in fiscal years ending in 1962 and 1963<sup>1</sup>

Type of distribution	1962 <sup>2</sup>	1963	Percentage increase or decrease	Number reporting in 1963
Cash dividends on capital stock and other equities	\$9,608,193	\$9,754,542	1.5	20
Patronage refunds:				
In cash	8,495,522	20,031,974	135.8	14
In capital stock and other forms of equity capital (excluding allocated reserves) <sup>3</sup>	30,487,687	26,939,085	-11.6	17
Additions to capital reserves (allocated and unallocated)	8,351,966	4,684,796	-43.9	17
Total	56,943,368	61,410,397	7.8	22

<sup>1</sup> Represents net margins available to patrons after any payments of, or provisions for, Federal income taxes. Data on taxes were not requested, but four associations showed total income taxes of \$4,796,550 in 1963 and \$3,104,082 in 1962.

<sup>2</sup> Revised.

<sup>3</sup> Evidenced by capital stock, certificates of equity or indebtedness, revolving fund credits, member equities, and other equity holdings. Cash payments of patronage refunds deferred in previous years under revolving capital programs totaled \$11.6 million in 1962 and \$14.7 million in 1963 (table 10). Thus net balances retained in the associations were equivalent to \$27.2 million of the deferred refunds from 1962 operations and to \$16.9 million from 1963 operations.

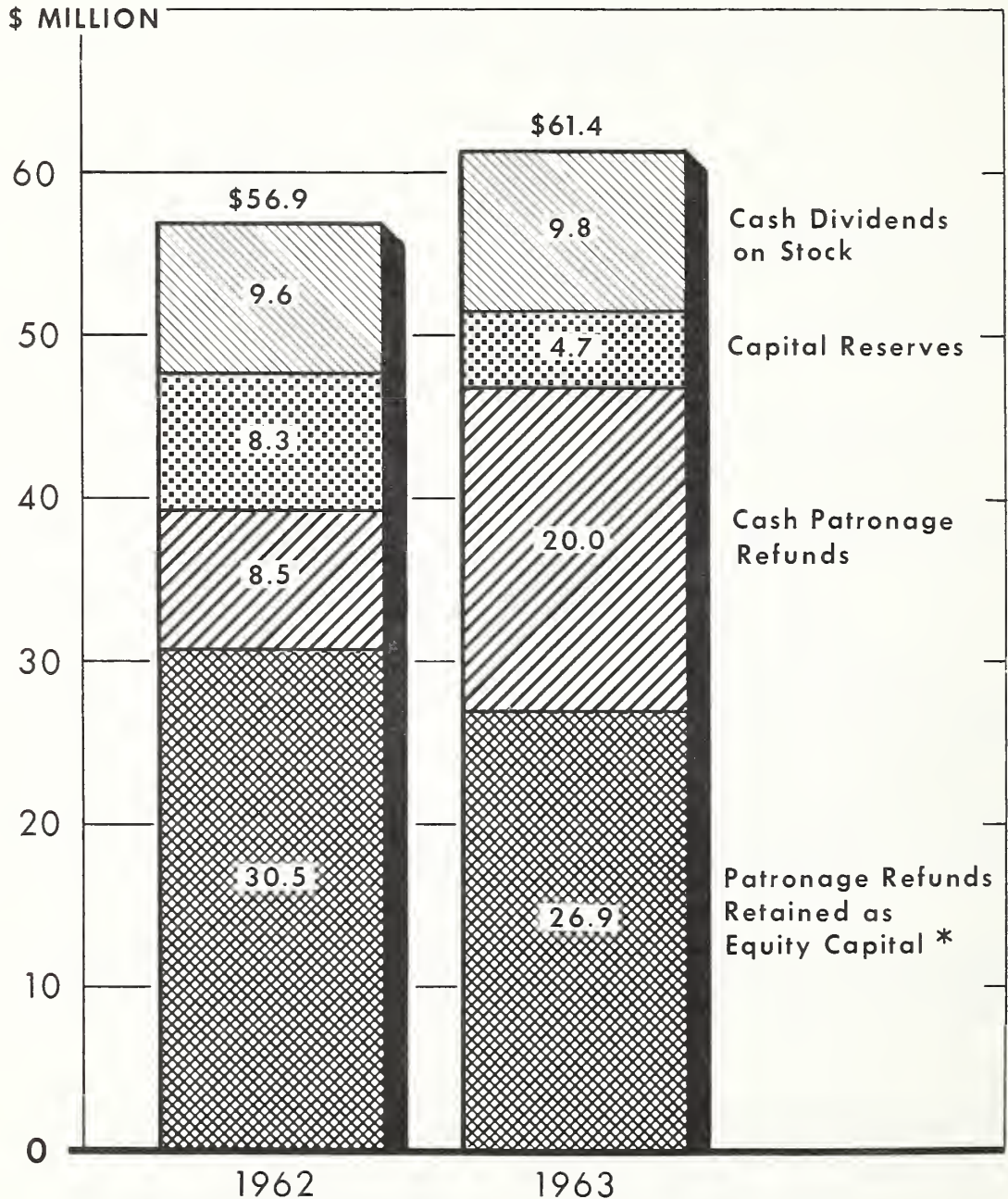
Note: Total net margins available to patrons were distributed in a similar manner in both 1962 and 1963 (table 9 and figure 3). They were 3.7 percent of total sales of farm supplies and farm products in 1962 and 3.7 percent in 1963. Such net margins were equivalent to 11.8 percent of their net worth in 1962 and to 12 percent in 1963.

Most of the patronage refunds distributed in capital stock and other evidences of member capital represent revolving capital. The amount of such revolving capital stock, revolving fund credits, and other equity holdings issued in prior years in payment of patronage refunds that were retired in cash in 1962 and 1963 are shown in Table 10 and figure 4.



Fig. 3

# **DISTRIBUTION OF NET MARGINS AVAILABLE TO PATRONS BY 22 REGIONALS FOR 1962 AND 1963**



\* A TOTAL OF \$14.2 MILLION DEFERRED IN PRIOR YEARS WAS RETIRED IN CASH IN 1962 AND \$15.0 MILLION WAS RETIRED IN 1963.

## Revolving of Equity Capital

A total of 18 associations use the revolving capital plan of financing. As of 1963, two were revolving their capital within a 5-year period, seven within a 6-year to 10-year period, inclusive, five within a 13- to 19-year period, and four within no pre-determined periods.

Under revolving capital programs, 12 associations in 1962 and 10 in 1963 reported cash retirements of capital stock or other equities originally issued in payment of patronage refunds for previous years. Such cash retirements totaled \$11.6 million in 1962 and \$14.7 million in 1963 (table 10 and figure 4). One other association made annual adjustments of its revolving fund so that each member local would hold capital stock in proportion to its patronage with the regional.

### Total Cash Payments of Dividends, Refunds, and Revolving Capital

Table 10.--Total cash payments of current dividends on stock and patronage refunds and of revolving capital to members by 22 major regional cooperatives handling supplies in fiscal years ending in 1962 and 1963

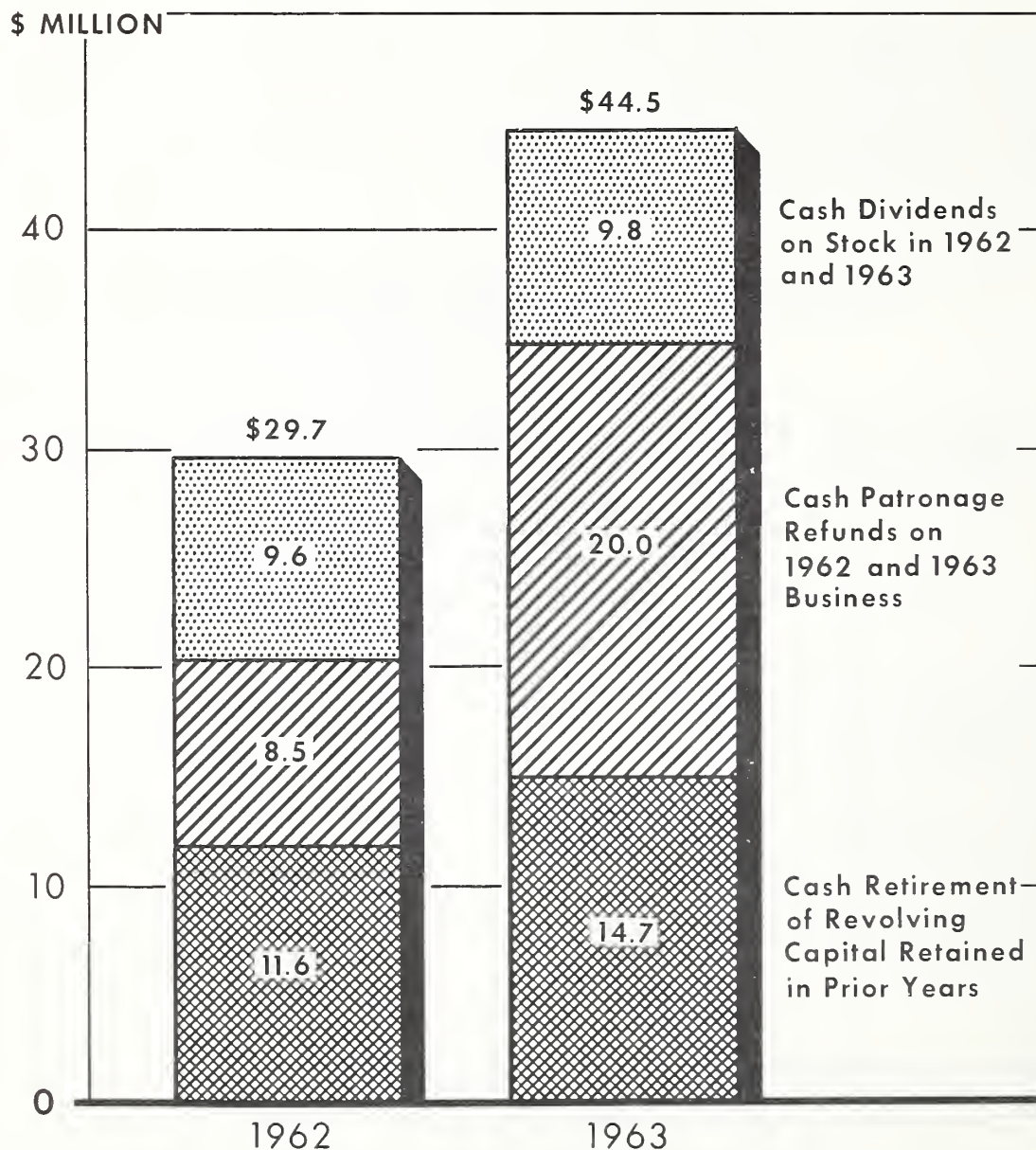
Type of cash distribution	1962		1963	
	Amount	Number reporting	Amount	Number reporting
Cash dividends on stock and interest on other equities (on current year's operation)	\$9,608,193	19	\$9,754,542	20
Cash patronage refunds (on current year's operation)	8,495,522	12	20,031,974	14
Cash retirement of revolving capital (deferred refunds, capital stock, and other revolving equities)	<u>11,576,613</u>	<u>12</u>	<u>14,703,978</u>	<u>10</u>
Total	29,680,328	22	44,490,494	22

Note: Total cash payments to patrons were equivalent to approximately 52 percent and 73 percent, respectively, of the total net margins available to patrons for the 2 years.



Fig. 4

# **CASH PAYMENTS OF DIVIDENDS, REFUNDS, AND REVOLVING CAPITAL BY 22 REGIONALS IN 1962 AND 1963 \***



\* TOTAL CASH PAYMENTS WERE EQUIVALENT TO 52% OF NET MARGINS IN 1962 AND TO 73% OF NET MARGINS IN 1963.

# Total Net Margins Since Organizing

Table 11.--Total net margins available to patrons and their distribution since date of organization for 15 regional cooperatives, as of 1963

Distribution	Amount
Cash dividends on capital stock and interest on other equities	\$151,108,227
Patronage refunds (on current year's operations)	
In cash	202,965,302
In capital stock and other forms of equity capital (excluding capital reserves)	271,318,825
Additions to capital reserves (allocated and unallocated)	96,628,490
Total	<sup>1</sup> 722,020,844

<sup>1</sup> Five associations reported an additional \$67,868,337 have been paid out as income taxes since organizing. This does not include all associations paying income taxes.

**Note:** These 15 regionals accounted for about 81 percent of the total supply volume of the 22 associations.

In addition to the \$354 million of cash dividends and refunds paid, substantial amounts of the patronage refunds originally converted to revolving capital have been repaid in cash to members. For example, 8 of the 18 associations with revolving funds reported they have retired \$61,785,000 of such refunds or capital since organizing. This was equal to about 37 percent of the total amounts of patronage refunds they had deferred or paid in capital stock for revolving capital purposes.

## Financial Condition

Table 12.--Consolidated balance sheets of 22 major regional cooperatives, at close of fiscal years ending in 1962 and 1963

Item	1962		1963		Percentage increase or decrease
	Amount	Percent of total	Amount	Percent of total	
	<u>1,000</u>		<u>1,000</u>		
<b>Assets:</b>					
Current assets	\$352,014	47.7	\$388,607	47.8	10.4
Fixed assets (net)	261,815	35.4	284,776	35.1	8.8
Other assets	124,670	16.9	139,087	17.1	11.6
Total	738,499	100.0	812,470	100.0	10.0
<b>Liabilities and member equities:</b>					
Current liabilities	135,443	18.3	175,758	21.6	29.8
Other liabilities	121,007	16.4	127,282	15.7	5.2
Member equities	482,049	65.3	509,430	62.7	5.7
Total	738,499	100.0	812,470	100.0	10.0

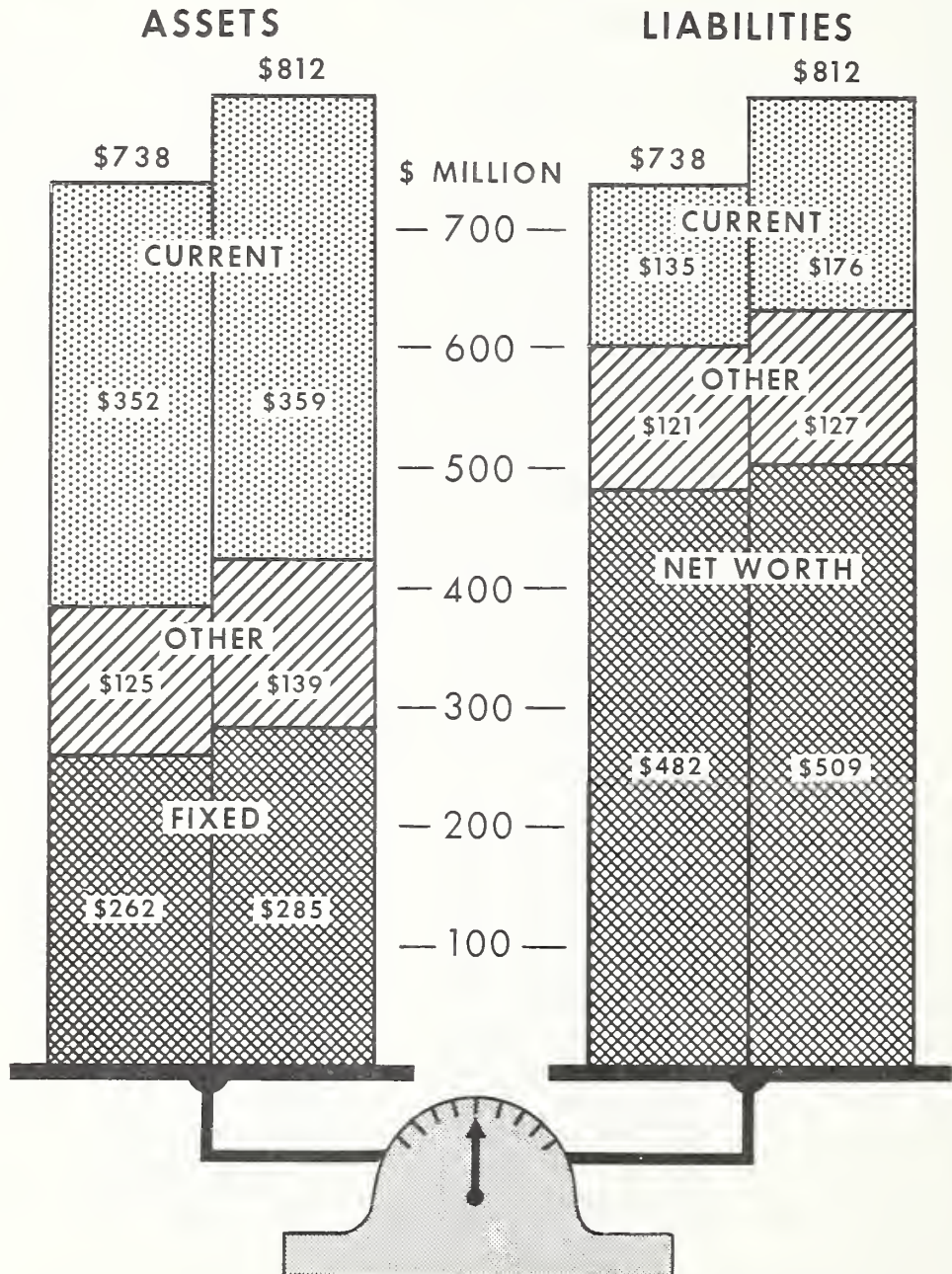
**Note:** Total assets of the 22 cooperatives increased from \$738.5 million in 1962 to \$812.5 million in 1963. The composition of them were about the same both years (table 12 and figure 5).

The associations had \$2.25 of current assets for every dollar of current liabilities in 1963 compared with \$2.66 in 1962.

Members' equities increased 5.3 percent from 1962 to 1963. They represented 65.6 percent of total assets in 1962 and 63 percent in 1963.

Fig. 5

# ASSETS AND LIABILITIES OF 22 MAJOR REGIONAL COOPERATIVES, 1962 AND 1963





# Net Worth or Member Equities

Table 13.--Net worth or member equity items of 22 regional associations at the close of their 1963 fiscal year

Items	Number reporting each item	Amount
Membership fees	1	\$84,330
Capital stock and credits		
Common	17	128,286,174
Preferred	15	175,129,198
Part paid (stock credits)	5	278,847
Preferred and common--affiliates and minority interests of other cooperatives	1	1,191,000
Patronage refunds payable in stock	5	3,670,807
Total capital stock and credits	18	308,556,026
Deferred refunds and other revolving fund equities, book credits, and certificates <sup>1</sup>	10	59,051,729
Member-patron equity reserves--allocated <sup>2</sup>	14	75,066,673
General reserves or surplus (mostly unallocated) <sup>3</sup>	13	50,409,581
Net margins and refunds for current year--undistributed	5	5,255,414
Debenture bonds <sup>4</sup>	3	10,683,862
Other equities <sup>5</sup>	2	322,542
Total other equities	22	200,789,801
Total	22	509,430,157

<sup>1</sup> Includes finance funds, capital fund certificates, certificates of equity or ownership, capital reserve certificates, and capital book equities.

<sup>2</sup> Includes the following allocated items: Capital reserves, general reserves, patronage credits, appropriated reserves, special permanent reserves, and contingency reserves.

<sup>3</sup> Includes retained margins, reserves for operating capital and revaluation of facilities, and special permanent reserves.

<sup>4</sup> Includes subordinated debentures. Most associations listed all debentures under fixed or deferred liabilities.

<sup>5</sup> Includes nonmember capital and reserve for revaluation of facilities.

Note: The regional cooperatives reported their net worth or member equities under more than 30 names or items. These were grouped into 12 types. Complete information was not obtained as to which types were allocated or unallocated to patrons and which were in a revolving capital status.

# Type and Value of Fixed Assets

Table 14.--Types and value of fixed assets of 21 major regional cooperatives at end of their 1963 fiscal year

Type	Associations reporting each item	Number of plants reported	Cost value	Depreciated value
				<u>1,000</u>
Wholesale and manufacturing supply facilities:				
Land	14	--	\$5,639	\$5,509
Offices	12	--	11,255	6,560
Offices and wholesale warehouses	5	--	7,674	5,025
Wholesale warehouses	<u>14</u>	<u>61</u>	<u>17,972</u>	<u>10,679</u>
Subtotal--land, offices, & warehouses	21	--	42,540	27,773
Feed mills	13	39	52,271	31,654
Fertilizer plants	11	52	92,426	60,151
Seed plants	7	17	3,426	2,080
Pesticide plants	<u>3</u>	<u>3</u>	<u>309</u>	<u>198</u>
Subtotal of feed, fertilizer, seed, and pesticide plants	16	--	148,432	94,083
Petroleum refineries	5	8	65,720	28,414
Crude-oil properties	6	--	78,487	31,731
Petroleum storage terminals	6	24	10,242	6,413
Petroleum pipelines	<u>3</u>	<u>--</u>	<u>18,765</u>	<u>11,696</u>
Subtotal of petroleum facilities	10	--	173,214	78,254
Other plants	7	7	3,021	1,626
Transportation equipment	15	--	16,361	7,375
Research, poultry breeding, and education	5	--	4,220	2,640
Other and unclassified supply facilities	<u>15</u>	<u>--</u>	<u>44,212</u>	<u>28,001</u>
Subtotal of other facilities	18	--	67,814	39,642
Total	21	--	432,000	239,752
Retail supply facilities <sup>1</sup>	6	--	15,470	10,465
Marketing facilities	<u>8</u>	<u>--</u>	<u>19,464</u>	<u>12,360</u>
Total facilities <sup>2</sup>	21	--	466,934	<sup>2</sup> 262,577

<sup>1</sup> In addition, two regional associations reported retail facilities of affiliated locals that had a total cost of \$49,238,000 and a book value of \$26,690,000.

<sup>2</sup> Total of net fixed assets does not agree with total in table 12 because data not available from one association; data available for only 1961 from two; crude-oil properties included in other assets of one; and miscellaneous facilities not listed by two associations.



# Appendix

## Other Major Regional Cooperatives That Handle Supplies

Mississippi Federated Cooperatives (AAL), Jackson, Miss.  
Mississippi Chemical Corporation, Yazoo City, Miss.  
Coastal Chemical Corporation, Yazoo City, Miss.  
Missouri Farmers Association, Inc., Columbia, Mo.  
MFA Oil Company, Columbia, Mo.  
MFA Central Cooperative, Columbia, Mo.  
Wisconsin Farmco Service Cooperative, Madison, Wis.  
Minnesota Farm Bureau Service Company, St. Paul, Minn.  
Farmers Union Grain Terminal Association, St. Paul, Minn.  
Grange Cooperative Wholesale, Seattle, Wash.  
Fruit Growers Supply Company, Los Angeles, Calif.

## Federations of Regional Cooperatives that Handle Supplies

(National or area cooperatives)

National Cooperatives, Inc., Albert Lea, Minn.  
United Cooperatives, Inc., Alliance, Ohio  
National Cooperative Refinery Association, McPherson, Kans.  
Northwest Cooperative Mills, Inc., St. Paul, Minn.  
Central Farmers Fertilizer Company, Chicago, Ill.  
Select Seeds, Inc., Fort Wayne, Ind.  
Farmers Forage Research Cooperative, Madison, Wis.  
Fertilizer Manufacturing Cooperative, Baltimore, Md.  
Cooperative Mills, Inc., Baltimore, Md.  
Central Nitrogen, Inc., Terra Haute, Ind.  
Farmers Chemical Association, Chattanooga, Tenn.





## Other FCS Publications Available

Farmer Cooperatives in the United States. Bulletin 1, Revised.

Statistics of Farmer Cooperatives, 1962-1963. General Report 128, Bruce L. Swanson.

Cooperative Bulk Fertilizer Blending in the Upper Midwest. General Report 122, Theodore R. Eichers.

Broiler and Turkey Feed Financing By Cooperatives. General Report 118, George C. Allen.

Regional Cooperatives Handling Under \$10 Million of Supplies, 1960-61. General Report 115, J. Warren Mather and Anne L. Gessner.

Lawn and Garden Services in Eastern Farmer Co-ops. General Report 107, John M. Bailey.

Transportation and Handling of Seed by Regional Cooperatives in the Southeast. General Report 101, Charlie B. Robbins.

Integrated Feed Operations Through Farmer Cooperatives, 1959. General Report 100, Anne L. Gessner.

Mobile Feed Milling by Cooperatives in the Northeast. General Report 99, Theodore R. Eichers and Arno J. Hansas.

Credit Control in Selected Retail Farm Supply Cooperatives, Area VI, New York, New Jersey, Virginia, West Virginia, North Carolina, and Georgia. General Report 71, John M. Bailey.

Inventory Management by Selected Retail Farm Supply Co-ops, Area VI, New York, New Jersey, Virginia, West Virginia, North Carolina, and Georgia. General Report 70, John M. Bailey.

Integrated Petroleum Operations Through Farmer Cooperatives, 1950 and 1957. General Report 58, Anne L. Gessner and J. Warren Mather.

A copy of each of these publications may be obtained while a supply is available from--

Farmer Cooperative Service  
U.S. Department of Agriculture  
Washington, D.C. 20250





